Financial report
of the Alior Bank Spółka Akcyjna Group
for the first quarter of 2023

(in PLN '000)

Selected financial data concerning the financial statements

PLN	01.01.2023 - 31.03.2023	01.01.2022 - 31.12.2022	01.01.2022 - 31.03.2022	% (A-B)/B
	A		B	C
Net interest income	1 103 062	3 559 871	862 351	27.9%
Net fee and commission income	208 551	796 069	190 677	9.4%
Trading result & other	17 994	25 639	40 139	-55.2%
Net expected credit losses, impairment allowances of non-financial assets and cost of legal risk of FX mortgage loans	-247 895	-1 085 324	-262 654	-5.6%
General administrative expenses	-506 850	-1 997 508	-493 014	2.8%
Gross profit	508 875	1 036 024	273 384	86.1%
Net profit	365 784	683 111	169 170	116.2%
Net cash flow	-19 309	-1 179 248	26 209	-173.7%
Loans and advances to customers	57 799 484	57 609 876	58 150 633	-0.6%
Amounts due to customers	71 856 210	70 776 809	70 779 749	1.5%
Equity	6 908 501	6 169 865	5 579 675	23.8%
Total assets	84 325 176	82 877 172	84 649 724	-0.4%
Selected ratios				
Profit per ordinary share (PLN)	2.80	5.23	1.30	116.2%
Capital adequacy ratio*	15.36%	16.23%	14.56%	5.5%
Tier 1*	14.26%	15.01%	13.06%	9.2%

EUR	01.01.2023 - 31.03.2023	01.01.2022 - 31.12.2022	01.01.2022 - 31.03.2022	% (A-B)/B
	A		B	C
Net interest income	234 669	759 310	185 564	26.5%
Net fee and commission income	44 368	169 799	41 031	8.1%
Trading result & other	3 828	5 469	8 637	-55.7%
Net expected credit losses, impairment allowances of non-financial assets and cost of legal risk of FX mortgage loans*	-52 738	-231 496	-56 519	-6.7%
General administrative expenses	-107 829	-426 062	-106 088	1.6%
Gross profit	108 260	220 981	58 828	84.0%
Net profit	77 818	145 705	36 403	113.8%
Net cash flow	-4 108	-251 530	5 640	-172.8%
Loans and advances to customers	12 362 204	12 283 818	12 498 793	-1.1%
Amounts due to customers	15 368 669	15 091 326	15 213 272	1.0%
Equity	1 477 596	1 315 564	1 199 285	23.2%
Total assets	18 035 542	17 671 416	18 194 460	-0.9%
Selected ratios				
Profit per ordinary share (PLN)	0.60	1.12	0.28	114.3%
Capital adequacy ratio*	15.36%	16.23%	14.56%	5.5%
Tier 1*	14.26%	15.01%	13.06%	9.2%

**Restated – Note 33*

Selected items of the financial statements were translated into EUR at the following exchange rates	31.03.2023	31.12.2022	31.03.2023
NBP's avarage exchange rate as at the end of the period	4.6755	4.6899	4.6525
NBP's avarage exchange rates as at the last day of each month	4.7005	4.6883	4.6472

(in PLN '000)

Selected financial indicators

	31.03.2023	31.03.2022	(A-B) [p.p]	(A-B)/B [%]
	A	B		
ROE	22.7%	11.9%	10.80	90.76%
ROA	1.8%	0.8%	1.00	125.00%
C/I	38.1%	45.1%	-7.00	-15.52%
CoR	1.61%	1.33%	0.28	21.05%
L/D	80.4%	82.2%	-1.80	-2.19%
NPL	9.80%	11.31%	-1.51	-13.35%
NPL coverage	53.65%	56.25%	-2.60	-4.62%
TCR	15.36%	14.56%	0.80	5.49%
TIER 1	14.26%	13.06%	1.20	9.19%

Interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group for 3-month period ended 31 March 2023

This version of our report is a translation of the original which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions the original language version of the report takes precedence over this translation

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(in PLN '000)

Interim condensed consolidated income statement

	Note	01.01.2023- 31.03.2023	01.01.2022- 31.03.2022*
Interest income calculated using the effective interest method		1 661 479	967 145
Income of a similar nature		148 321	78 618
Interest expense		-706 738	-183 412
Net interest income	**4**	**1 103 062**	**862 351**
Fee and commission income		420 359	371 419
Fee and commission expense		-211 808	-180 742
Net fee and commission income	**5**	**208 551**	**190 677**
Dividend income		47	139
The result on financial assets measured at fair value through profit or loss and FX result	6	13 324	37 795
The result on derecognition of financial instruments not measured at fair value through profit or loss	**7**	**2 221**	**290**
measured at fair value through other comprehensive income		2 068	218
measured at amortized cost		153	72
Other operating income		28 703	31 536
Other operating expenses		-26 301	-29 621
Net other operating income and expenses	**8**	**2 402**	**1 915**
General administrative expenses	9	-506 850	-493 014
Net expected credit losses	10	-247 141	-208 556
The result on impairment of non-financial assets	11	-248	-30 901
Cost of legal risk of FX mortgage loans	12	-506	-23 197
Banking tax	13	-65 987	-64 115
Gross profit		**508 875**	**273 384**
Income tax	14	-143 091	-104 214
Net profit		**365 784**	**169 170**
Net profit attributable to equity holders of the parent		365 784	169 170
Weighted average number of ordinary shares		130 553 991	130 553 991
Basic/diluted net profit per share (PLN)	15	2.80	1.30

**Restated – Note 2.3*

Interim condensed consolidated statement of comprehensive income

	01.01.2023- 31.03.2023	01.01.2022- 31.03.2022*
Net profit	**365 784**	**169 170**
Items that may be reclassified to the income statement after certain conditions are satisfied	**373 227**	**-508 697**
Foreign currency translation differences	-244	65
Results of the measurement of financial assets (net)	**92 644**	**-79 053**
Profit/loss on valuation of financial assets measured at fair value through other comprehensive income	114 393	-99 610
Deferred tax	-21 749	20 557
Results on the measurement of hedging instruments (net)	**280 827**	**-429 709**
Gains/losses on hedging instruments	346 700	-530 505
Deferred tax	-65 873	100 796
Total comprehensive income. net	**739 011**	**-339 527**
- attributable to shareholders of the parent company	739 011	-339 527

The notes presented on pages 10-53 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Interim condensed consolidated statement of financial position

ASSETS	Note	31.03.2023	31.12.2022
Cash and cash equivalents	16	4 578 041	2 584 143
Amounts due from banks	17	1 766 612	2 373 663
Investment financial assets	18	16 815 362	17 015 100
measured at fair value through other comprehensive income		11 928 512	9 895 998
measured at fair value through profit or loss		367 734	437 260
measured at amortized cost		4 519 116	6 681 842
Derivative hedging instruments		248 111	178 139
Loans and advances to customers	19	57 799 484	57 609 876
Assets pledged as collateral	21	47 519	40 992
Property. plant and equipment		723 480	744 443
Intangible assets		390 427	391 058
Non-current assets held for sale		0	1 611
Income tax assets	14	1 289 988	1 417 183
current income tax assets		1 463	1 205
deferred income tax assets		1 288 525	1 415 978
Other assets	20	666 152	520 964
TOTAL ASSETS		**84 325 176**	**82 877 172**

LIABILITIES AND EQUITY	Note	31.03.2023	31.12.2022
Amounts due to banks	22	303 864	270 431
Amounts due to customers	23	71 856 210	70 776 809
Financial liabilities	26	290 226	255 994
Derivative hedging instruments		1 384 034	1 678 933
Provisions	24	204 047	267 947
Other liabilities	25	2 110 360	2 044 232
Income tax liabilities		91 958	249 086
current income tax liabilities		89 848	246 997
deferred income tax liabilities		2 110	2 089
Subordinated liabilities	27	1 175 976	1 163 875
Total liabilities		**77 416 675**	**76 707 307**
Share capital		1 305 540	1 305 540
Supplementary capital		5 407 101	5 407 101
Revaluation reserve		-965 962	-1 339 433
Other reserves		161 792	161 792
Foreign currency translation differences		39	283
Accumulated losses		634 207	-48 529
Profit for the period		365 784	683 111
Equity		**6 908 501**	**6 169 865**
TOTAL LIABILITIES AND EQUITY		**84 325 176**	**82 877 172**

The notes presented on pages 10-53 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Interim condensed consolidated statement of changes in consolidated equity

01.01.2023 - 31.03.2023	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
At 1 January 2023	**1 305 540**	**5 407 101**	**161 792**	**-1 339 433**	**283**	**634 582**	**6 169 865**
Comprehensive income	**0**	**0**	**0**	**373 471**	**-244**	**365 784**	**739 011**
net profit	0	0	0	0	0	365 784	365 784
other comprehensive income – valuations	0	0	0	373 471	-244	0	373 227
incl. financial assets measured at fair value through other comprehensive income	0	0	0	92 644	0	0	92 644
incl. hedging instruments	0	0	0	280 827	0	0	280 827
incl. currency translation differences	0	0	0	0	-244	0	-244
Other changes in equity	0	0		0	0	-375	**-375**
At 31 March 2023	**1 305 540**	**5 407 101**	**161 792**	**-965 962**	**39**	**999 991**	**6 908 501**

01.01.2022 - 31.12.2022	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
At 1 January 2022	**1 305 540**	**5 403 849**	**161 788**	**-906 659**	**-43**	**-45 273**	**5 919 202**
Transfer of last year's profit	0	3 252	0	0	0	-3 252	0
Comprehensive income	**0**	**0**	**0**	**-432 774**	**326**	**683 111**	**250 663**
net profit	0	0	0	0	0	683 111	683 111
other comprehensive income – valuations	**0**	**0**	**0**	**-432 774**	**326**	**0**	**-432 448**
incl. financial assets measured at fair value through other comprehensive income	0	0	0	-141 372	0	0	-141 372
incl. hedging instruments	0	0	0	-291 402	0	0	-291 402
incl. currency translation differences	0	0	0	0	326	0	326
Other changes in equity	0	0	4	0	0	-4	**0**
At 31 December 2022	**1 305 540**	**5 407 101**	**161 792**	**-1 339 433**	**283**	**634 582**	**6 169 865**

01.01.2022 - 31.03.2022	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
At 1 January 2022	**1 305 540**	**5 403 849**	**161 788**	**-906 659**	**-43**	**-45 273**	**5 919 202**
Comprehensive income	**0**	**0**	**0**	**-508 762**	**65**	**169 170**	**-339 527**
net profit	0	0	0	0	0	169 170	169 170
other comprehensive income – valuations	0	0	0	-508 762	65	0	-508 697
incl. financial assets measured at fair value through other comprehensive income	0	0	0	-79 053	0	0	-79 053
incl. hedging instruments	0	0	0	-429 709	0	0	-429 709
incl. currency translation differences	0	0	0	0	65	0	65
Other changes in equity	0	0	4	0	0	-4	**0**
At 31 March 2022	**1 305 540**	**5 403 849**	**161 792**	**-1 415 421**	**22**	**123 893**	**5 579 675**

The notes presented on pages 10-53 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Interim condensed consolidated statement of cash flows

	01.01.2023- 31.03.2023	01.01.2022- 31.03.2022*
Operating activities		
Profit before tax for the period	**508 875**	**273 384**
Adjustments:	**64 680**	**88 294**
Unrealized foreign exchange gains/losses	-244	65
Amortization/depreciation of property, plant and equipment and intangible assets	64 681	57 419
Change in property, plant and equipment and intangible assets impairment write-down	248	30 901
Dividends	-47	-139
Short-term lease contracts	42	48
The gross profit after adjustments but before increase/decrease in operating assets/liabilities	**573 555**	**361 678**
Change in loans and receivables	417 443	-477 304
Change in financial assets measured at fair value through other comprehensive income	-1 922 165	1 928 181
Change in financial assets measured at fair value through profit or loss	69 526	-287 054
Change in assets pledged as collateral	-47 519	-1 658 630
Change in non-current assets held for sale	1 611	0
Change in other assets	-145 188	56 638
Change in deposits	874 030	-2 692 631
Change in own issue	246 764	-4 717
Change in financial liabilities	34 232	186 055
Change in hedging derivative	-18 171	24 301
Change in other liabilities	-97 455	3 966 933
Change in provisions	-63 900	-1 586
Cash from operating activities before income tax	**-77 237**	**1 401 864**
Income tax paid	-33 814	-53 105
Net cash flow from operating activities	**-111 050**	**1 348 759**
Investing activities		
Outflows:	**-52 247**	**-45 684**
Purchase of property, plant and equipment	-29 377	-37 822
Purchase of intangible assets	-21 869	-7 862
Purchase of assets measured at amortized cost	-1 001	0
Inflows:	**2 200 601**	**253**
Disposal of property, plant and equipment	3 133	253
Disposal of assets measured at amortized cost	2 197 468	0
Net cash flow from investing activities	**2 148 354**	**-45 430**
Financing activities		
Outflows:	**-43 405**	**-76 863**
Prniciple payments - subordinated lliabilities	0	-45 459
Interest payments – subordinated lliabilities	-16 687	-6 847
Prniciple payments - lease liabilities	-24 543	-23 610
Interest payments - lease liabilities	-2 176	-947
Inflows:	**0**	**0**
Net cash flow from financing activities	**-43 405**	**-76 863**
Total net cash flow	**1 993 898**	**1 226 466**
incl. exchange gains/(losses)	**-19 309**	**26 209**
Balance sheet change in cash and cash equivalents	**1 993 898**	**1 226 466**
Cash and cash equivalents, opening balance	2 584 143	3 763 391
Cash and cash equivalents, closing balance	4 578 041	4 989 857
Additional disclosures on operating cash flows		
Interests received	1 498 170	896 833
Interests paid	-555 262	-108 211

**Restated – Note 2.3*

The notes presented on pages 10-53 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Notes to the interim condensed consolidated financial statements

1 Information about the Bank and the Group

1.1 General information, duration and the scope of business of Alior Bank SA

Alior Bank Spółka Akcyjna is the parent company of the Aliror Bank Capital Group with its registered office in Warsaw, Poland, ul. Łopuszańska 38D, was entered to the register of entrepreneurs maintained by the District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register under KRS number: 0000305178. The Bank was assigned the tax identification number NIP: 107-001-07-31 and the statistical number REGON: 141387142.

Since 14 December 2012 the Bank has been listed on the Warsaw Stock Exchange (ISIN number: PLALIOR00045).

Alior Bank is a universal deposit and credit bank providing services to natural and legal persons and other entities that are domestic and foreign persons. The Bank's core business covers maintenance of bank accounts, granting loans, issue of bank securities, and purchase and sale of foreign currencies. The Bank is also involved in stock broking activity, financial advisory, and intermediation services, and provides other financial services, Information on the companies in the Group is detailed in Note 1.4 of this chapter. In accordance with the provisions of its Articles of Association. Alior Bank has been operating in the territory of the Republic of Poland and the European Economic Area. The Bank provides its services primarily to customers from Poland. The number of foreign customers in the overall number of the Bank's customers is negligible. As part of its retail banking, in 2016 a foreign branch of Alior Bank was opened in Romania.

1.2 Shareholders of Alior Bank Spółka Akcyjna

There was no change in the ownership structure of significant shareholdings in Bank starting from the of submission date of the previous periodic report, i.e. from 3 March 2023.

As at 31 March 2023, the shareholders holding 5% or more of the overall numer of votes at the General Meeting were as follows:

Shareholder	Number of shares	Nominal value of shares [PLN]	Percentage in the share capital	Number of votes	Number of votes in the total number of votes
31.03.2023					
PZU SA Group*	41 658 850	416 588 500	31.91%	41 658 850	31.91%
Nationale-Nederlanden OFE**	12 358 517	123 585 170	9.47%	12 358 517	9.47%
Allianz OFE***	11 526 440	115 264 400	8.83%	11 526 440	8.83%
Generali OFE***	7 115 535	71 155 350	5.45%	7 115 535	5.45%
Other shareholders	57 894 649	578 946 490	44.34%	57 894 649	44.34%
Total	**130 553 991**	**1 305 539 910**	**100%**	**130 553 991**	**100%**

**The PZU Group consists of entities that have concluded a written agreement regarding the purchase or sale of the Bank's shares and the consistent exercise of voting rights at the Bank's general meetings, i.e.: Powszechny Zakład Ubezpieczeń SA, Powszechny Zakład Ubezpieczeń Na Życie SA, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty UNIVERSUM, PZU Fundusz Inwestycyjny Zamknięty Assets of Niepublicznych BIS 1 and PZU Fundusz Inwestycyjny Zamknięty Assets Niepublicznych BIS 2. the agreement was announced by the Bank in Current Report No. 21/2017.*
*** Based on published reports for 2022 on the composition of the portfolio of Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny.*
****Based on notifications received.*

As at the preparation date of this report, i.e. on 25 April 2023, according to the information available to Alior Bank SA, the shareholders holding 5% or more of the total number of votes at the General Meeting remained unchanged.

(in PLN '000)

1.3 The composition of the Bank's Management Board and the Bank's Supervisory Board together with information about number of shares of Alior Bank held by Bank Management Board and Supervisory Board members

As at the day of preparing this financial statement in comparison to the annual reporting period ended on 31 December 2022, there were changes in the composition of the Bank's Management Board changed.

On 3 April 2023, the Bank's Supervisory Board appointed with effect from 4 April 2023, Mr. Paweł Broniewski to the composition of the Management Board of the Bank for the current three-year joint V-term of the office of the Bank's Management Board, which started as of 30 June 2020, to the function of Vice-Presidents of the Bank's Management Board.

As at 31 March 2023 and as at the date of preparation of this financial statements the composition of the Bank's Management Board was as follows:

First and last name	Function
Grzegorz Olszewski	President of the Management Board
Paweł Broniewski*	Vice President of the Management Board
Radomir Gibała	Vice President of the Management Board
Szymon Kamiński	Vice President of the Management Board
Rafał Litwińczuk	Vice President of the Management Board
Tomasz Miklas	Vice President of the Management Board
Jacek Polańczyk	Vice President of the Management Board
Paweł Tymczyszyn	Vice President of the Management Board

** did not perform the function of a member of the Management Board as at 31 March 2023*

At the end of the reporting period, i.e.31 March 2023 and as at the date of publication of the report, Mr. Tomasz Miklas - Member of the Management Board of the Bank holds 147 shares of the Bank, other members of the Management Board did not hold shares of Alior Bank.

In comparison to the annual reporting period ended on 31 December 2022, there were no changes in the composition of the Bank's Supervisory Board.

As at 31 March 2023 and as at the date of preparation of this financial statements the composition of the Bank's Supervisory Board was as follows:

First and last name	Function
Filip Majdowski	Chairman of the Supervisory Board
Ernest Bejda	Deputy Chairperson of the Supervisory Board
Małgorzata Erlich – Smurzyńska	Member of the Supervisory Board
Paweł Wojciech Knop	Member of the Supervisory Board
Artur Kucharski	Member of the Supervisory Board
Marek Pietrzak	Member of the Supervisory Board
Paweł Śliwa	Member of the Supervisory Board
Dominik Witek	Member of the Supervisory Board

In accordance with the Bank's best knowledge there was no change in the number of shares hold by the Members of Supervisory Board starting from the date of preparation of the annual financial statements, ie from 2 March 2023. As of 31 March 2023, and as at the date of preparation of financial statements, Members of the Supervisory Board of Alior Bank SA did not hold any shares in the Bank.

(in PLN '000)

1.4 Information about the Alior Bank Group

Alior Bank SA is the parent company of the Alior Bank SA Group. The composition of the Group as at 31 March 2023 and as at the date of preparation date of financial statements was as follows:

Company's name - subsidaries	25.04.2023	31.03.2023	31.12.2022
Alior Services sp. z o.o.	100%	100%	100%
Alior Leasing sp. z o.o.	100%	100%	100%
- AL Finance sp. z o.o.	*100%*	*100%*	*100%*
Meritum Services ICB SA	100%	100%	100%
Alior TFI SA	100%	100%	100%
Absource sp. z o.o.	100%	100%	100%
Corsham sp. z o.o.	100%	100%	100%
RBL_VC sp. z o.o.	100%	100%	100%
RBL_VC sp z o.o. ASI spółka komandytowo-akcyjna	100%	100%	100%

1.5 Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group were approved by the Bank's Management Board on 25 April 2023.

1.6 Seasonal or cyclical nature of operations

The Group's operations are not affected by any material events of seasonal or cyclical nature within the meaining of §21 IAS 34.

2 Accounting principles

2.1 Basis for preparation

Statement of compliance

These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group for the 3-month period ended 31 March 2023 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and in accordance with the requirements set out in the Regulation of the Minister of Finance of 29 of March 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state.
The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should therefore be read together with the consolidated financial statements of the Alior Bank Group for 2022.
The interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the financial period from 1 January 2023 to 31 March 2023 and interim condensed consolidated statement of financial position as at 31 March 2023 including the comparatives have been prepared in accordance with the same accounting policies as those applied in the preparation of the annual financial statements ended 31 December 2022, except for the changes in the standards that entered into force on 1 January 2023 and changes in accounting policies described in Note 2.2.

Scope and reporting currency

The interim condensed consolidated financial statements of the Alior Bank SA Group comprise the data of the Bank and its subsidiaries. These interim condensed consolidated financial statements have been prepared in Polish zloty ("PLN"). All figures, unless otherwise indicated, are rounded to the nearest thousand.

Going concern

These interim condensed consolidated financial statements of the Alior Bank SA Group have been prepared on the assumption that the entities within the Group will continue as going concerns in the foreseeable future, not less than 12 moths from the balance sheet date i.e. after 31 March 2023.
As at the date of approval of this report by the Bank's Management Board, there are no circumstances indicating a threat to the continued operation of the Capital Group. Taking this assumption, the Management Board took into account in its assessment the impact of factors subject to uncertainty, in particular the armed conflict in Ukraine lasting from 24 February 2022, on the macroeconomic situation and its own operations.
Based on the analyses, the Group does not identify the negative impact of the circumstances on the assessment of the validity of the preparation of the financial statements, assuming no threat to the Group's going concern in the foreseeable future.

2.2 Accounting principles

2.2.1 Relevant estimates

The Group makes estimates and makes assumptions that affect the values of assets and liabilities presented in this and the next reporting period. Estimates and assumptions that are subject to continuous evaluation are based on historical experience and other factors, including expectations as to future events that seem justified in a given situation.

Recognition of bancassurance income

The Group allocates the received remuneration for distribution of insurance products related to the sale of loans – in accordance with the economic content of the transaction – as remuneration constituting:

- an integral part of the remuneration received for the offered financial instruments;
- remuneration for agency services;
- remuneration for the provision of additional activities performed during the insurance contract (recognised by the Group over a period when the services are provided).

The economic title of the received remuneration determines the way it is disclosed in the Bank's books.

The model of "relative fair value" is applied to determine the split of the remuneration related to insurance offered in connection with cash and mortgage loans and insurance sold without any relationship to financial instruments.

The "relative fair value" model approved by the Group consists in estimating the fair value of each element of the overall service of loan sale with insurance in order to determine the proportion of fair value of both services. In accordance with such proportion of fair value, remuneration under the joint loan and insurance transaction is allocated to each component.

Impairment of loans, expected credit losses

At each reporting date, the Group assesses the credit quality of the receivables and assesses whether there are objective triggers for impairment of credit exposures and whether the credit exposure has impaired.

The Group accepts that a financial asset or a group of financial assets are impaired and such impairment loss is incurred only when there are objective indications resulting from one or more events that have occurred after the initial recognition of such asset and the event (or events) causing trigger has a negative impact on the expected future cash flows of a given exposure, leading to the recognition of a loss. Therefore, for all impaired credit exposures, the Group determines an allowance representing the difference between the gross exposure value and the expected recoveries after taking into account the default status / probability in a given time horizon.

Exposures with no identified impairment indications are grouped in homogeneous groups in terms of the risk profile and a provision is recognised for such group of exposures to cover expected losses (ECL).

The estimated losses expected are based on:

- estimated exposure value at the time of default (EAD model);
- estimated distribution of risk of default within the lifetime of the exposure (life-time PD model);
- estimated level of loss in case of default of the client (LGD model).

Information on the adopted assumptions affecting the amount of expected losses are presented in Note 19 – Loans and advances to customers.

Non-current assets impairment

In accordance with IAS 36, the Group assesses non-current assets in terms of the existence of premises indicating their impairment. If there is such evidence, the Group estimates the asset's recoverable amount. When the carrying amount of a given asset exceeds its recoverable amount, its impairment is recognized, and a write-off is made to adjust its value to the level of its recoverable amount.

Investment financial assets

For the purposes of disclosures in accordance with IFRS 7, the Group estimates changes to measurements of debt instruments measured at fair value through other comprehensive income and derivative instruments with a linear risk profile not covered with hedge accounting assuming a parallel shift of profitability curves by 50pb. To this end, the Group constructs profitability curves on the basis of market data. The Group analyses the impact on transaction measurement of changes to profitability curves with the assumed scenarios.

Provisions for the reimbursement of commissions in the event of early repayment

The Group constantly monitors the value of the estimated amount of expected payments resulting from prepayments of consumer loans made before the judgment date of Court of Justice of the European Union ('CJEU') of 11 September 2019 in case C-383/18 (so-called Lexitor case). The basis for updating the value of the estimate is the inclusion in the calculation of the historically observed trend of the amount of loan cost reimbursements resulting from the customer complaints submitted to the Bank and taking into account the scenario of a change in the Group's approach to communication with customers as a result of the evolution of market practice or the position of the regulator.

Provision for legal risk related to the FX indexed loan portfolio

The Group estimated the costs of legal risk related to the FX indexed loan portfolio and applied the provisions of IFRS 9.B.5.4.6 to its recognition - it treated this estimate as an adjustment to the gross carrying amount of the portfolio of mortgage loans indexed with foreign currencies or created provisions in accordance with the requirements of IAS 37(where the amount of the estimated legal risk costs exceeds the gross carrying amount of the credit exposure or the amount of the estimate relates to repaid foreign currency mortgage loans).

The costs of legal risk constituting an adjustment to the gross carrying amount were estimated taking into account a number of assumptions, including the Group's assumption of an increase in the market scale of claims, e.g. in connection with the position of the Advocate General of the CJEU published on 16 February 2023.
These costs were estimated on the basis of:

- the pace of the inflow of disputes regarding the legal risk of mortgage loans in foreign currencies and the estimated percentage of the portfolio of FX mortgage loans that will be the subject of litigation, observed so far and forecast by the Group in future periods,
- the financial impact of the cancellation or conversion,
- the percentage of litigations lost by banks, reported by the Polish Bank Association, including the percentage of cases ended with the cancellation of the contract and the percentage of cases ended with the conversion of contracts into PLN.

Credit vacation

On 14 July 2022, the act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers was signed by the President of the Republic of Poland. This law regulates the three main issues outlined below. Pursuant to Art. 73 of this Act, the Bank is obliged, at the borrower's request, to suspend the repayment of the mortgage loan granted in the Polish currency, with the exception of loans indexed or denominated in a currency other than the Polish currency. The suspension of loan repayment applies only to one agreement concluded to satisfy one's own housing needs.

During the period of suspension of the loan repayment, the borrower is not obliged to make payments under the loan agreement, except for insurance fees related to this agreement.

In connection with the above, as at the date of signing the Act, based on IFRS 9 5.4.3, Alior Bank recalculated the gross carrying amount of loan exposures based on the present value of expected cash flows modified based on the provisions of the Act (i.e. taking into account the possibility of suspending the repayment of loan installments in time frame while extending the loan period), discounted at the original effective interest rate. The modification loss was recognized in the financial result as a reduction of interest income.

As at 31 December 2022, the Group recognized a loss on modification in the amount of PLN 502 million.

At each balance sheet date, the Group updates the estimate of future cash flows, taking into account the estimated size of the loan portfolio that may benefit from the holidays and the number of installments that can be used.

As at 31 March 2023, the Group verified the previous estimates and recognized an additional cost related to the modification of loan agreements in the amount of PLN 11 million (for an additional approx. 6% of the portfolio, which will benefit from an average of approx. 2 months of credit holidays). Thus, the total loss on modification estimated on the basis of the participation ratio - the portfolio using credit vacation in the amount of 75%, amounts to PLN 513 million in total.

Actuarial provision

Provisions for employee benefits are measured with actuarial techniques and assumptions. The calculation covers all retirement benefits potentially disbursable in the future. The provision has been established on the basis of a list of persons with all the required personal data, including seniority, age, and gender. The accrued provisions are equal to the discounted payments to be made in the future subject to staff rotation and apply to the period until the end of the reporting period.

Fair value measurement rules

The principles for the fair value measurement of derivatives and non-quoted debt securities measured at fair value are presented in Note 29 – Fair value and have not changed from the principles presented in the financial statements prepared as at 31 December 2022.

(in PLN '000)

Hedge accounting

For the purposes of disclosures in accordance with IFRS 7, the Group estimates changes to measurements of the derivative instruments with a linear risk profile assuming a parallel shift of profitability curves by 50 pb. To this end, the Group constructs profitability curves on the basis of market data. The Group analyses the impact on transaction profitability of a change of profitability curves for the portfolio of derivative instruments with a linear risk profile, covered with hedge accounting.

2.2.2 Significant accounting policies

Detailed accounting policies were presented in the annual consolidated financial statements of the Alior Bank Group for the year ended 31 December 2022 published on Alior Bank's website on 3 March 2023.

2.2.3 Changes in accounting standards

In these interim condensed consolidated financial statements, the same accounting standards have been applied as in the case of annual consolidated financial statements for the year 2022 and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 1 January 2023 mentioned below:

Change	Impact on the Group's report
IFRS 17 Insurance contracts and amendments to IFRS 17- first application and IFRS 9 - comparative information	It replaces IFRS 4 "Insurance Agreements" which enabled the continuation of recognition of insurance contracts in accordance with the accounting principles in force in national standards, and as a result meant the use of many different solutions. IFRS 17 introduces a requirement for consistent recognition of all insurance contracts. Contractual obligations will be recognized in current values instead of historical cost. IFRS 17 and amendments to IFRS 17 will not have a significant impact on the Group's financial statements.
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting	Clarify how accounting policies and accounting estimates relate to each other, by explaining that accounting estimates are used in applying accounting policies. The change will not have a significant impact on the Group's financial statements.
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	Require entities to disclose their material accounting policies rather than their significant accounting policies. The change will not have a significant impact on the Group's financial statements.
Amendments to IAS 12 Income Taxes: Deferred Tax relating to assets and liabilities arising from a single transaction	The amendments clarifies the accounting rules for income tax and the possible exclusion from the recognition of deferred tax. The introduced amendment specifies that this exclusion does not apply to lease transactions and the recognition of a liability resulting from the liquidation of an asset, i.e. transactions for which an asset and a liability are recognized simultaneously. The change will not have a significant impact on the Group's financial statements.

Standards and interpretations that have been issued but are not yet effective because they have not been approved by the European Union or have been approved by the European Union but have not been previously applied by the Group, were presented in the annual consolidated financial statements of the Group for 2022. In the first quarter of 2023, no changes to the accounting standards were published.

2.3 Changes to presentation and explanation of differences in relation to previously published financial statements

Compared to the consolidated financial statements prepared as at 31 March 2022, the Group changed:

1. the way of presenting certain items of the cash flow statement:

Change 1

Changes in derivatives hedging both assets and liabilities are presented jointly.

(in PLN '000)

Change 2

Changes in fair value measurements recognized in other comprehensive income were excluded from changes in individual assets and liabilities.

Change 3

Change in assets measured at amortized cost was transferred to investing activities (in the first quarter of 2022, there were no purchase and disposal of financial assets measured at amortized cost).

Position	Published 31.03.2022	chnage 1	change 2	change 3	Total changes	Restated 31.03.2022
Change in financial assets measured at fair value through other comprehensive income	2 069 784	0	-141 603	0	-141 603	1 928 181
Change in financial assets measured at amortised cost	1 991 826	0	0	-1 991 826	-1 991 826	0
Change in derivative hedging assets	-37 361	37 361	0	0	37 361	0
Change in hedging liabilities derivative	592 167	-592 167	0	0	-592 167	0
Change in hedging derivatives	0	554 806	-530 505	0	24 301	24 301
Change in assets pledged as collateral	-3 621 975			1 963 345	1 963 345	-1 658 630
Change in other liabilities	3 266 344	0	672 108	28 481	700 589	3 966 933
Total net cash flows from operating activities	**4 260 785**	**0**	**0**	**0**	**0**	**4 260 785**

2. the place of presenting interest on leases, Group moved them from position Interest income calculated using the effective interest method to position Income of a similar nature

	Published 31.03.2022	Change	Restated 31.03.2022
Interest income calculated using the effective interest method	1 023 103	-55 958	967 145
Income of a similar nature	22 660	55 958	78 618

3 Operating segments

Segment description

Alior Bank SA Group pursues its business activity within segments offering specific products and services addressed to specified customer groups. The split of business segments provides for consistency with the sale management model and for providing customers with a comprehensive product offer, covering both traditional banking products and more complex investment products.

Banking operations cover three core business segments:

- retail segment;
- corporate segment;
- treasury activities;

The core products for retail client segment are as follows:

- credit products: cash loans, credit cards, current account overdraft facilities, mortgage loans;
- deposit products: term deposits, savings deposits;
- brokerage products and investment funds;
- personal accounts;
- transactional services: cash deposits and withdrawals, transfers;
- currency exchange transactions.

The core products for corporate customers are as follows:

(in PLN '000)

- credit products: overdraft limits in current accounts, working capital loans, investment loans, credit cards;
- deposit products: term deposits;
- current and subsidiary accounts;
- transactional services: cash deposits and withdrawals, transfers;
- treasury products: FX exchange transactions (also term FX transactions), derivative instruments;
- leasing.

The analysis covers the profitability of the retail and corporate segments. Profitability covers:

- net interest income including internal transfer rates of funds between the bank's units and the Bank's Treasury Department;
- fee and commission income;
- income from treasury transactions and FX transactions by customers;
- other operating income and expenses.

Income of the retail segment cover also income from sales of brokerage products (e.g. income for the maintenance of brokerage accounts, brokerage services in securities trading and income from distribution of investment fund units).

The income from the corporate segment also covers income from a car loan portfolio.

The item Treasury activity covers management effects of the global position – liquidity and FX position, resulting from the activity of the Group's units.

Results and volumes split by segment for the three months ended 31 March 2023

	Retail customers	Corporate customers	Treasury	Total operating segments	Unallocated items	Total Group
External interest income	**614 666**	**433 872**	**54 524**	**1 103 062**	**0**	**1 103 062**
external income	898 170	420 300	343 009	1 661 479	0	1 661 479
income of a similar nature	0	106 584	41 737	148 321	0	148 321
external expense	-283 504	-93 012	-330 222	-706 738	0	-706 738
Internal interest income	**25 905**	**-138 328**	**112 423**	**0**	**0**	**0**
internal income	632 309	235 846	980 578	1 848 733	0	1 848 733
internal expense	-606 404	-374 174	-868 155	-1 848 733	0	-1 848 733
Net interest income	**640 571**	**295 544**	**166 947**	**1 103 062**	**0**	**1 103 062**
Fee and commission income	111 389	305 881	3 089	420 359	0	420 359
Fee and commission expense	-46 297	-163 517	-1 994	-211 808	0	-211 808
Net fee and commission income	**65 092**	**142 364**	**1 095**	**208 551**	**0**	**208 551**
Dividend income	0	0	47	47	0	47
The result on financial assets measured at fair value through profit or loss and FX result	162	8 666	4 496	13 324	0	13 324
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	**0**	**0**	**2 221**	**2 221**	**0**	**2 221**
measured at fair value through other comprehensive income	0	0	2 068	2 068	0	2 068
measured at amortized cost	0	0	153	153	0	153
Other operating income	20 003	8 700	0	28 703	0	28 703
Other operating expenses	-21 159	-5 142	0	-26 301	0	-26 301
Net other operating income	**-1 156**	**3 558**	**0**	**2 402**	**0**	**2 402**
Total result before expected credit losses, the result on impairment of non-financial assets and cost of legal risk of FX mortgage loans	**704 669**	**450 132**	**174 806**	**1 329 607**	**0**	**1 329 607**

(in PLN '000)

	Retail customers	Corporate customers	Treasury	Total operating segments	Unallocated items	Total Group
Net expected credit losses	-156 500	-90 641	0	-247 141	0	-247 141
The result on impairment of non-financial assets	-182	-66	0	-248	0	-248
Cost of legal risk of FX mortgage loans	-506	0	0	-506	0	-506
Total result after expected credit losses, the result on impairment of non-financial assets and cost of legal risk of FX mortgage loans	**547 481**	**359 425**	**174 806**	**1 081 712**	**0**	**1 081 712**
General administrative expenses	-402 595	-170 242	0	-572 837	0	-572 837
Gross profit	**144 886**	**189 183**	**174 806**	**508 875**	**0**	**508 875**
Income tax	0	0	0	0	-143 091	-143 091
Net profit	**144 886**	**189 183**	**174 806**	**508 875**	**-143 091**	**365 784**
Assets	53 327 341	29 707 847	0	83 035 188	1 289 988	84 325 176
Liabilities	54 296 423	23 028 294	0	77 324 717	91 958	77 416 675

Results and volumes split by segment for the three months ended 31 March 2022

	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total Group
External interest income	**582 288**	**281 445**	**-1 382**	**862 351**	**0**	**862 351**
external income	631 639	244 891	90 615	967 145	0	967 145
income of a similar nature	0	55 958	22 660	78 618	0	78 618
external expense	-49 351	-19 404	-114 657	-183 412	0	-183 412
Internal interest income	**39 666**	**-30 810**	**-8 856**	**0**	**0**	**0**
internal income	311 796	124 856	427 796	864 448	0	864 448
internal expense	-272 130	-155 666	-436 652	-864 448	0	-864 448
Net interest income	**621 954**	**250 635**	**-10 238**	**862 351**	**0**	**862 351**
Fee and commission income	118 871	268 456	-15 908	371 419	0	371 419
Fee and commission expense	-48 059	-130 856	-1 827	-180 742	0	-180 742
Net fee and commission income	**70 812**	**137 600**	**-17 735**	**190 677**	**0**	**190 677**
Dividend income	0	0	139	139	0	139
The result on financial assets measured at fair value through profit or loss and FX result	72	12 489	25 234	37 795	0	37 795
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	**0**	**0**	**290**	**290**	**0**	**290**
measured at fair value through other comprehensive income	0	0	218	218	0	218
measured at amortized cost	0	0	72	72	0	72
Other operating income	25 882	5 654	0	31 536	0	31 536
Other operating expenses	-23 741	-5 880	0	-29 621	0	-29 621
Net other operating income	**2 141**	**-226**	**0**	**1 915**	**0**	**1 915**
Total result before expected credit losses, the result on impairment of non-financial assets and cost of legal risk of FX mortgage loans	**694 979**	**400 498**	**-2 310**	**1 093 167**	**0**	**1 093 167**
Net expected credit losses	-110 499	-98 057	0	-208 556	0	-208 556
The result on impairment of non-financial assets	-30 901	0	0	-30 901	0	-30 901
Cost of legal risk of FX mortgage loans	-23 197	0	0	-23 197	0	-23 197
Total result after expected credit losses, the result on impairment of	**530 382**	**302 441**	**-2 310**	**830 513**	**0**	**830 513**

(in PLN '000)

	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total Group
non-financial assets and cost of legal risk of FX mortgage loans						
General administrative expenses	-395 505	-161 624	0	-557 129	0	-557 129
Gross profit	**134 877**	**140 817**	**-2 310**	**273 384**	**0**	**273 384**
Income tax	0	0	0	0	-104 214	-104 214
Net profit	**134 877**	**140 817**	**-2 310**	**273 384**	**-104 214**	**169 170**
Assets	54 629 051	28 609 690	0	83 238 741	1 410 983	84 649 724
Liabilities	55 271 113	23 727 185	0	78 998 298	71 751	79 070 049

Notes to the interim condensed consolidated income statement

4 Net interest income

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Interest income calculated using the effective interest method	**1 661 479**	**967 145**
term deposits	1 895	62
Loans, incl:	1 288 626	859 778
modification of a financial asset deemed not significant	*-13 480*	*-825*
financial assets measured at amortized cost	53 390	16 957
financial assets measured at fair value through other comprehensive income	210 164	56 139
receivables acquired	7 082	3 593
repo transactions in securities	10 491	2 656
current accounts	48 057	9 203
overnight deposits	2 885	362
other	38 889	18 395
Income of a similar nature	**148 321**	**78 618**
leasing	106 584	55 958
derivatives instruments	41 737	22 660
Interest expense	**-706 738**	**-183 412**
Interest expense from financial instruments measured at amortized cost including the effective interest rate method	**-325 158**	**-52 418**
term deposits	-265 701	-26 586
own issue	-34 431	-14 242
repo transactions in securities	-19 261	-8 613
cash deposits	-874	-1 216
leasing	-2 176	-947
other	-2 715	-814
Other interest expense	**-381 580**	**-130 994**
current deposits	-111 910	-41 742
derivatives	-269 670	-89 252
Net interest income	**1 103 062**	**862 351**

5 Net fee and commission income

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Fee and commission income	**420 359**	**371 419**
payment and credit cards service	169 839	133 089
transaction margin on currency exchange transactions	83 151	66 929
maintaining bank accounts	23 724	29 271

(in PLN '000)

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
brokerage commissions	12 827	16 050
revenue from bancassurance activity	24 821	25 292
loans and advances	38 297	37 764
transfers	14 276	13 373
cash operations	8 237	8 011
guarantees, letters of credit, collection, commitments	2 600	2 805
receivables acquired	1 174	911
for custody services	1 851	2 159
repayment of seizure	1 886	1 555
from leasing activities	21 925	20 175
other commissions	15 751	14 035
Fee and commission expenses	**-211 808**	**-180 742**
costs of card and ATM transactions, including costs of cards issued	-161 922	-126 713
commissions paid to agents	-12 125	-15 703
insurance of bank products	-3 181	-3 529
costs of awards for customers	-6 912	-4 289
commissions for access to ATMs	-6 751	-5 687
commissions paid under contracts for performing specific operations	-5 667	-8 494
brokerage commissions	-935	-1 509
for custody services	-1 278	-735
transfers and remittances	-5 679	-5 999
other commissions	-7 358	-8 084
Net fee and commission income	**208 551**	**190 677**

01.01.2023 - 31.03.2023	Retail customers	Business customers	Treasury	Total
Fee and commission income	**111 389**	**305 881**	**3 089**	**420 359**
payment and credit cards service	26 771	143 068	0	169 839
transaction margin on currency exchange transactions	34 392	46 993	1 766	83 151
maintaining bank accounts	11 538	12 183	3	23 724
brokerage commissions	12 827	0	0	12 827
revenue from bancassurance activity	10 082	14 739	0	24 821
loans and advances	5 634	32 663	0	38 297
transfers	4 401	9 854	21	14 276
cash operations	3 755	4 482	0	8 237
guarantees, letters of credit, collection, commitments	0	2 600	0	2 600
receivables acquired	0	1 174	0	1 174
custody services	0	1 851	0	1 851
repayment of seizure	0	1 886	0	1 886
from leasing activities	0	21 925	0	21 925
other commissions	1 989	12 463	1 299	15 751

01.01.2022 - 31.03.2022	Retail customers	Business customers	Treasury	Total
Fee and commission income	**118 871**	**268 456**	**-15 908**	**371 419**
payment and credit cards service	24 236	108 853	0	133 089
transaction margin on currency exchange transactions	42 411	41 637	-17 119	66 929
maintaining bank accounts	11 084	18 180	7	29 271
brokerage commissions	16 050	0	0	16 050

(in PLN '000)

01.01.2022 - 31.03.2022	Retail customers	Business customers	Treasury	Total
revenue from bancassurance activity	10 939	14 353	0	25 292
loans and advances	5 017	32 747	0	37 764
transfers	4 055	9 314	4	13 373
cash operations	3 561	4 450	0	8 011
guarantees, letters of credit, collection, commitments	0	2 805	0	2 805
receivables acquired	0	911	0	911
custody services	0	2 159	0	2 159
repayment of seizure	0	1 555	0	1 555
from leasing activities	0	20 175	0	20 175
other commissions	1 518	11 317	1 200	14 035

6 The result on financial assets measured at fair value through profit or loss and FX result

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
FX result and net income on currency derivatives, including;	**2 904**	**23 994**
fx result	63 873	-170 403
currency derivatives	-60 969	194 397
Interest rate transacions	**4 873**	**13 228**
Ineffective part of hedge accounting	**1 156**	**-2 513**
The result on other instruments (includes the result on trading in securities classified as assets measured at fair value through profit and loss with interest	**4 391**	**3 086**
The result on financial assets measured at fair value through profit or loss and FX result	**13 324**	**37 795**

7 The result on derecognition of financial instruments not measured at fair value through profit or loss

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Financial assets measured at fair value through other comprehensive income	2 068	218
Financial assets measured at amortized cost	153	72
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	**2 221**	**290**

8 Result on other operating income and expense

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Other operating income from:	**28 703**	**31 536**
income from contracts with business partners	2 100	10 019
reimbursement of costs of claim enforcement	8 980	5 777
received compensations, recoveries, penalties and fines	269	299
management of third-party assets	5 480	5 308
from license fees from Partners	783	994
due to VAT settlement	652	1 786
reversal of impairment losses on other assets	940	893
other	9 499	6 460
Other operating expenses due to:	**-26 301**	**-29 621**
reimbursement of credit cost (TSUE provision)	0	-8 692

(in PLN '000)

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
fees and costs of claim enforcement	-14 047	-13 464
paid compensations, fines, and penalties	-570	-628
management of third-party assets	-300	-322
recognition of complaints	-921	-516
impairment losses on other assets	-4 349	-1 606
due to VAT settlement	-59	-4
other	-6 055	-4 389
Net other operating income and expense	**2 402**	**1 915**

9 General administrative expenses

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Payroll costs	**-261 277**	**-236 478**
remuneration due to employment contracts	-214 017	-198 344
remuneration surcharges	-43 170	-35 431
costs of bonus for senior executives settled in phantom shares	-501	-667
other	-3 589	-2 036
General and administrative costs	**-173 308**	**-192 372**
lease and building maintenance expenses	-27 637	-17 936
costs of Banking Guarantee Fund	-57 500	-96 955
IT costs	-36 321	-32 083
marketing costs	-14 252	-10 987
cost of advisory services	-3 058	-3 368
external services	-7 534	-6 585
training costs	-3 791	-314
costs of telecommunications services	-5 116	-5 980
costs of lease of property, plant and equipment and intangible assets	-42	-59
other	-18 057	-18 105
Amortization and depreciation	**-64 681**	**-57 419**
property, plant and equipment	-20 939	-17 748
intangible assets	-19 607	-16 590
right to use the asset	-24 135	-23 081
Taxes and fees	**-7 584**	**-6 745**
Total general administrative expenses	**-506 850**	**-493 014**

10 Net expected credit losses

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Expected credit losses Stage 3	**-309 681**	**-213 746**
retail customers	-160 036	-108 267
business customers	-149 645	-105 479
Expected credit losses Stage 1 and 2(ECL)	**1 337**	**-9 208**
Stage 2	**6 283**	**-13 743**
retail customers	2 511	-8 044
business customers	3 772	-5 699
Stage 1	**-4 946**	**4 535**
retail customers	-4 354	1 518
business customers	-592	3 017
POCI	**-14 317**	**-3 078**

(in PLN '000)

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Recoveries from off-balance sheet	**20 118**	**17 341**
Investment securities	**-403**	**299**
Off-balance provisions	**55 805**	**-164**
Net expected credit losses	**-247 141**	**-208 556**

11 The result on impairment of non-financial assets

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Property, plant and equipment and intangible assets	-248	-30 901
Total	**-248**	**-30 901**

12 Cost of legal risk of FX mortgage loans

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Loans and advances to customers - adjustment decreasing the gross carrying amount of loans	-151	-21 783
Provisions	-355	-1 414
Total	**-506**	**-23 197**

13 Banking Tax

The Act on Tax from Certain Financial Institutions of 15 January 2016 became effective on 1 February 2016 – the Act applies to banks and insurance companies. The tax accrues on the surplus of assets in excess of PLN 4 billion as detailed in trial balances as at the end of each month. Banks are entitled to reduce the taxation base by their equity, as well as the amounts of Treasury securities and assets acquired from NBP. constituting collateral for the refinancing loan granted by NBP. The tax is payable monthly (the monthly rate is 0.0366%) by the 25th day of the month following the month to which it applies and is recognised in the profit and loss account in the period to which it applies.

14 Income tax

14.1 Tax charge disclosed in the profit and loss account

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Current tax	**103 457**	91 530
Deferred income tax	**39 634**	12 684
Accounting tax recognized in the income statement	**143 091**	**104 214**

14.2 Effective tax rate calculation

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Gross profit	**508 875**	**273 384**
Income tax at 19%	96 686	51 943
Non-tax-deductible expenses (tax effect)	**47 804**	**44 128**
Impairment losses on loans not deductible for tax purposes	17 651	3 673
Prudential fee to BGF	10 925	18 421
Tax on Certain Financial Institutions	12 538	12 182

(in PLN '000)

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Cost of legal risk of FX mortgage loans	96	4 407
Other	6 594	5 445
Non-taxable income (tax effect)	**-1 187**	**-454**
Recognition of tax loss	**0**	**-124**
Other	**-212**	**8 721**
Accounting tax recognized in the income statement	**143 091**	**104 214**
Effective tax rate	**28.12%**	**38.12%**

15 Profit per share

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Net profit	**365 784**	**169 170**
Weighted average number of ordinary shares	130 553 991	130 553 991
Basic/diluted net profit per share (PLN)	**2.80**	**1.30**

Core profit per share is calculated as the quotient of profit attributable to the Bank's shareholders and the weighted average number of ordinary shares in the year.
Pursuant to IAS 33, diluted earnings per share are calculated based on the ratio of the profit attributable to the Bank's shareholders to the weighted average number of ordinary shares, adjusted as if all dilutive potential ordinary shares were converted into shares. As at 31 March 2023 and 31 March 2022, the Group did not have dilutive instruments.

Notes to the interim condensed consolidated statement of financial position

16 Cash and ash equivalents

16.1 Financial data

	31.03.2023	31.12.2022
Current account with the central bank	1 940 614	865 742
Overnight	26 923	128 468
Cash	866 731	849 575
Current accounts in other banks	1 743 695	706 796
Term deposits in other banks	78	33 562
Cash and balances with central bank	**4 578 041**	**2 584 143**

17 Amounts due from banks

17.1 Financial data

Structure by type	31.03.2023	31.12.2022
Reverse Repo	4 448	184 097
Deposits as derivative transactions (ISDA) collateral	1 669 163	2 057 094
Other	93 001	132 472
Amounts due from banks	**1 766 612**	**2 373 663**

(in PLN '000)

18 Investment financial assets

18.1 Financial data

	31.03.2023	31.12.2022
Financial assets	**16 815 362**	**17 015 100**
measured at fair value through other comprehensive income	11 928 512	9 895 998
measured at fair value through profit or loss	367 734	437 260
measured at amortized cost	4 519 116	6 681 842

18.2 Investment financial assets by type

measured at fair value through other comprehensive income	31.03.2023	31.12.2022
Debt instruments	**11 831 306**	**9 802 840**
issued by the State Treasury	**9 731 375**	**7 864 154**
T-bonds	8 902 766	7 806 138
T-bills	828 609	58 016
issued by monetary institutions	**2 067 985**	**1 889 093**
eurobonds	18 877	18 728
money bills	1 498 034	1 349 494
bonds	551 074	520 871
issued by companies	**31 946**	**49 593**
bonds	31 946	49 593
Equity instruments	**97 206**	**93 158**
Total	**11 928 512**	**9 895 998**

measured at fair value through profit or loss	31.03.2023	31.12.2022
Debt instruments	**17 407**	**12 597**
issued by the State Treasury	**13 068**	**4 590**
T-bonds	13 068	4 590
issued by other financial institutions	**4**	**4**
bonds	4	4
issued by companies	**4 335**	**8 003**
bonds	4 335	8 003
Equity instruments	**41 128**	**58 846**
Derivative financial instruments	**309 199**	**365 817**
Interest rate transactions	**215 460**	**242 925**
SWAP	210 792	240 228
Cap Floor Options	4 042	2 697
FRA	626	0
Foreign exchange transactions	**90 196**	**117 460**
FX Swap	6 411	3 837
FX forward	29 900	50 762
CIRS	46 027	56 550
FX options	7 858	6 311
Other options	**811**	**529**
Other instruments	**2 732**	**4 903**
Total	**367 734**	**437 260**

(in PLN '000)

measured at amortized cost	31.03.2023	31.12.2022
Debt instruments	**4 519 116**	**6 681 842**
issued by the State Treasury	**3 988 349**	**6 158 857**
T-bonds	3 007 830	5 180 926
T-bills	980 519	977 931
issued by other financial companies	**530 767**	**522 985**
bonds	530 767	522 985
Total	**4 519 116**	**6 681 842**

19 Loans and advances to customers

19.1 Accounting principles

During 2023, the Group did not change the rules and methodology for classifying loan exposures and estimating provisions for expected credit losses. The applied rules are the same as those described in the annual financial statements.

Rules for classifying exposures covered by key statutory customer support instruments

The key statutory customer support tools available, inter alia, due to the macroeconomic situation, include:

- Borrowers Support Fund,
- moratoriums available to customers who have lost their source of income,
- payment moratoria for PLN mortgage portfolios.

Exposures covered by the Borrowers Support Fund and exposures covered by moratoriums for customers who have lost their source of income are classified by the Bank to forbearance and, consequently, to Stage 2 (unless they meet the impairment / default criteria, which would result in classification to Stage 3).

Mortgage exposures covered by payment moratoriums are subject to general classification rules, where the use of moratoriums does not meet the conditions of the facility offered due to the worsened financial situation, as it is not a criterion for using the instrument. During periods of suspension of maturity, the Group suspends the calculation of arrears/overdue, returning to the continuation of the calculation at the end of the suspension period.

19.2 Future macroeconomic factors in the assessment of credit quality and impairment allowances estimation

The Group ensures that future macroeconomic factors are included in all significant components of the estimated credit losses. Taking into account future macroeconomic factors ensures that the current valuation of ECL reflects the expected scale of deterioration in the credit quality of the portfolio due to the tough macroeconomic environment.

The Group considers the key areas of macroeconomic risk to be:

Direct impact and effects of the war in Ukraine on the loan portfolio associated with persons who are citizens of countries involved in the war / economic entities operating in the region

The Group intensively monitors and analyzes the impact of the geopolitical situation related to the war in Ukraine on the quality of the loan portfolio.

In terms of the of the retail client segment, the share in the portfolio of clients with the citizenship of Ukrainian, Russian, Belarusian fluctuates around 1.9%. These are clients living and earning income in Poland. The Group continues intensive portfolio monitoring, but does not identify any significant threats in this respect.

In terms of the corporate customer segment, the Group identifies a portfolio exposed to the effects of escalation of military operations in Ukraine based on addresses (headquarters, correspondence, residences), information from individual monitoring, and a significant share of inflows / transfers from / to countries involved in the armed conflict. In this population, the Group identifies clients with an exposure of approximately PLN 70 million. The monitoring results indicate that the deterioration of the quality and the increase in the risk of debt servicing is insignificant.

Effects of the pandemic

Although during the pandemic, the Bank did not experience a significant deterioration in the quality of the loan portfolio, it is recognized that the effects of the pandemic - in conjunction with other global and macroeconomic challenges - may still have a negative impact on selected areas of business activity (due to, inter alia, disrupted supply chains).

A complex macroeconomic environment (caused among others by the above factors) and its impact on the loan portfolio

Due to significant - unprecedented - changes in the macroeconomic environment (changes in interest rates, inflation, exchange rates, energy prices), the FLI component in the portfolio valuation is important, reflecting the Group's expectations regarding the scenario development of macroeconomic factors.

In particular, with regard to the methodology used for the PD parameter the Group continues:

- for the retail client segment, the use of the methodology for assessing the impact of changes in financial burdens as a result of an increase interest rates at risk of default,
- for the corporate client segment, the use of industry models enabling the simulation of the client's rating, supplemented with up-to-date information on changes in the macroeconomic environment, taking into account the increase in financing costs and energy prices.

The experience of the first months of operation in an environment of rising interest rates shows that:

- the dynamics and pace of changes (increases) in interest rates were higher than the Group's original projections, at the same time,
- the transmission of the rising interest rates to the deterioration of clients' debt servicing capacity was much lower than originally assumed.

Analyzing these phenomena, the Group designed a series of analyzes including:

- assessment of the sensitivity of the PD parameter value to changes in macroeconomic scenarios,
- verification of changes in the loss ratio/early risk measures to changes in the economic environment,
- backtesting of the assumed values of PD parameters taking into account the FLI component at different forecast horizons.

The work resulted in a decision on the value of PD parameters adequate for the macroeconomic scenarios adopted by the Group.

In the area of the LGD parameter, a solution is used that makes the level of healing dependent on the dynamics of changes in macroeconomic factors such as Gross Domestic Product and inflation (the scope and sensitivity to a given factor were adjusted depending on the model segment).

(in PLN '000)

As regards the collateral included in the valuation of credit exposure impairment, the Group takes into account the risk of negative future macroeconomic factors affecting the collateral value and applies an additional haircut over the current market valuations and estimated recovery rates reflecting the economic recoverability of collateral.

As at 31 March 2023, the effects of the high interest rate environment and the war in Ukraine had no significant impact on the deterioration of the quality of loan portfolios. In the FLI component, the Group takes into account the expected development trajectory of the above phenomena and the target impact on the quality of the portfolio. At the same time, the Group considers the risk of uncertainty and volatility in both phenomena to be significant.

19.3 Quality and structure of the loan portfolio

Key credit portfolio quality indicators as at 31 March 2023

As at 31 March 2023, despite the negative macroeconomic environment and geopolitical situation, the Group did not observe a significant negative impact on the quality of the loan portfolio. The share of 30-day overdue loans in the regular portfolio as at 31 March 2023 was 0.64% compared to 0.63 % as at 31 December 2022.

In the Group's opinion, this situation is largely due to:

- insignificant, in the first period of the environment of rising interest rates, a negative transmission on the ability to service debt,
- insignificant impact on the quality of the loan portfolio of the initial phase of the armed conflict in Ukraine,
- the scale of support clients receive in terms of payment moratoriums and the borrowers' support fund.

The Group adapts its lending policies and processes to the current macroeconomic situation and the resulting threats (both in terms of adapting the lending policy and processes to the pandemic environment, high interest rate environment and the geopolitical and economic effects of the war in Ukraine). The changes are aimed at supporting customers (including in the scope of business activities conducted by corporate customers) while at the same time focusing on minimizing the Group's credit losses.
Thanks to all the above circumstances and actions, the quality of the loan portfolio has so far remained resilient to the effects of the current macroeconomic and geopolitical environment.

As at 31 March 2023, the level of write-downs for exposures classified to Stage 1 and Stage 2 is approx. PLN 1.2 billion and remains stable compared to the level maintained as at 31 December 2022. The key credit parameters of the regular portfolio are presented below (non-default):

Date	DPD 30+*	PD	LGD	Stage 2 share in he regular portfolio	Coverage of regular portfolio write-offs
31.12.2022	0,6%	3,87%	31,3%	13,5%	2,2%
31.03.2023	0,6%	3,84%	31,10%	13,8%	2,1%

**according to the EBA definition*

As at 31 March 2023 and 31 December 2022, the structure of the portfolio with evidence of impairment, together with the structure of the recoverable amount of collateral, was as follows (in MPLN):

Date	individual portfolio			collective portfolio		
	exposure value	% of collateral coverage*	% coverage with write-offs	exposure value	% of collateral coverage*	% coverage with write-offs
31.12.2022	2 270	49%	50%	3 622	25%	59%
31.03.2023	2 146	48%	53%	3 731	26%	56%

**expressed at the economic recoverable amount*

(in PLN '000)

Sensitivity of results to variability of assumptions

The Group assumes 3 scenarios of the future macroeconomic situation:

- base, with the probability of 50% implementation (where the GDP growth rate at the end of subsequent years is 0.1% y/y, 3.1% y/y and 3.6% respectively in the period 2023-2025, and the NBP base rate is respectively 6.75%, 5.25% and 4.25%),
- negative, with the probability of 25% implementation (where the GDP growth rate at the end of subsequent years in the period 2023-2025 is -1.9% y/y, 1.0% y/y and 2.1%, respectively, and the NBP base rate respectively 8.0%, 6.5% and 6.25%),
- optimistic, with the probability of 25% implementation (where the GDP growth rate at the end of subsequent years is 2.5% y/y, 4.0% y/y and 4.6% respectively in the period 2023-2025, and the NBP base rate is respectively 5.0%, 3.5% and 3.5%).

developed internally by the Macroeconomic Analysis Department.

Based on annually calibrated models of expected loss parameters, the Bank conducts sensitivity analyses. Below we present the sensitivity scale of estimated loss estimates for the portfolio of regular exposures, based on the current model of expected loss parameters (in MPLN):

Changing the probability of scenarios	Difference in the share of Stage 2 in the regular portfolio*	Impact on expected credit losses due to*:		
		PD	Regular Portfolio LGD	Default Portfolio LGD
Change in expected credit losses in the case of the negative scenario with 100% probability	0.14 p.p.	+30.0	+17.0	+9.1
Change in expected credit losses in the case of the positive scenario with 100% probability	-0.07 p.p.	-32.8	-49.2	-11.1

**As estimated as at 31 December 2022*

19.4 Financial data (gross value, expected credit losses)

Loans granted to customers	31.03.2023			31.12.2022		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Retail segment	**36 822 273**	**-1 983 233**	**34 839 040**	**37 229 755**	**-1 999 906**	**35 229 849**
Consumer loans	16 720 699	-1 774 282	14 946 417	16 916 888	-1 801 353	15 115 535
Loans for residential properties	16 092 493	-168 825	15 923 668	15 984 608	-161 575	15 823 033
Consumer finance loans	4 009 081	-40 126	3 968 955	4 328 259	-36 978	4 291 281
Corporate segment	**25 445 111**	**-2 484 667**	**22 960 444**	**24 842 278**	**-2 462 251**	**22 380 027**
Working capital loans	12 305 110	-1 220 609	11 084 501	12 034 812	-1 160 900	10 873 912
Investment loans	5 774 319	-724 192	5 050 127	5 650 837	-765 205	4 885 632
Other business loans	7 365 682	-539 866	6 825 816	7 156 629	-536 146	6 620 483
Total	**62 267 384**	**-4 467 900**	**57 799 484**	**62 072 033**	**-4 462 157**	**57 609 876**

Loans granted to customers	31.03.2023			31.12.2022		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Retail segment	**36 822 273**	**-1 983 233**	**34 839 040**	**37 229 755**	**-1 999 906**	**35 229 849**
Stage 1	32 255 882	-354 013	31 901 869	32 691 404	-349 690	32 341 714
Stage 2	2 603 334	-435 404	2 167 930	2 591 086	-437 966	2 153 120
Stage 3	1 948 204	-1 192 361	755 843	1 933 672	-1 211 105	722 567
POCI	14 853	-1 455	13 398	13 593	-1 145	12 448
Corporate segment	**25 445 111**	**-2 484 667**	**22 960 444**	**24 842 278**	**-2 462 251**	**22 380 027**

(in PLN '000)

Loans granted to customers	31.03.2023			31.12.2022		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Stage 1	16 154 585	-80 800	16 073 785	15 693 750	-80 262	15 613 488
Stage 2	5 118 393	-332 055	4 786 338	4 974 683	-335 956	4 638 727
Stage 3	3 928 628	-2 035 439	1 893 189	3 957 657	-2 006 144	1 951 513
POCI	243 505	-36 373	207 132	216 188	-39 889	176 299
Total	**62 267 384**	**-4 467 900**	**57 799 484**	**62 072 033**	**-4 462 157**	**57 609 876**

Loans and advances to customers by method of allowance calculation	31.03.2023			31.12.2022		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Stage 3	**5 876 832**	**-3 227 800**	**2 649 032**	**5 891 329**	**-3 217 249**	**2 674 080**
individual method	2 145 860	-1 141 796	1 004 064	2 269 720	-1 145 221	1 124 499
group method	3 730 972	-2 086 004	1 644 968	3 621 609	-2 072 028	1 549 581
Stage 2	**7 721 727**	**-767 459**	**6 954 268**	**7 565 769**	**-773 922**	**6 791 847**
Stage 1	**48 410 467**	**-434 813**	**47 975 654**	**48 385 154**	**-429 952**	**47 955 202**
POCI	**258 358**	**-37 828**	**220 530**	**229 781**	**-41 034**	**188 747**
Total	**62 267 384**	**-4 467 900**	**57 799 484**	**62 072 033**	**-4 462 157**	**57 609 876**

Loans and advances to customers – exposure of the Bank to the credit risk	31.03.2023			31.12.2022		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Stage 3	**5 876 832**	**-3 227 800**	**2 649 032**	**5 891 329**	**-3 217 249**	**2 674 080**
not overdue	1 335 642	-510 700	824 942	1 587 680	-582 624	1 005 056
overdue	4 541 190	-2 717 100	1 824 090	4 303 649	-2 634 625	1 669 024
Stage 1 and Stage 2	**56 132 194**	**-1 202 272**	**54 929 922**	**55 950 923**	**-1 203 874**	**54 747 049**
not overdue	53 295 187	-839 122	52 456 065	52 964 293	-834 924	52 129 369
overdue	2 837 007	-363 150	2 473 857	2 986 630	-368 950	2 617 680
POCI	**258 358**	**-37 828**	**220 530**	**229 781**	**-41 034**	**188 747**
Total	**62 267 384**	**-4 467 900**	**57 799 484**	**62 072 033**	**-4 462 157**	**57 609 876**

In the first quarter of 2023, the Group did not sell any receivables.

From 1 January to 31 March 2023 the Group wrote off the financial assets amounted to PLN 361 354 thousand. The financial assets that are written off concerned both the loan portfolio of retail and corporate customers. The financial assets that are written off in 2023 in the amount of PLN 354 427 thousand may still be subject enforcement activity.

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Gross carrying amount as at 01.01.2023	**48 385 154**	**7 565 769**	**5 891 329**	**229 781**	**62 072 033**
New / purchased / granted financial assets	4 774 819	0	0	37 020	4 811 839
Changes due to the sale or expiry of the instrument	-2 026 245	-424 607	-19 978	-1 540	-2 472 370
Transfer to Stage 1	724 438	-701 064	-23 374	0	0
Transfer to Stage 2	-1 903 857	1 961 634	-57 777	0	0
Transfer to Stage 3	-134 676	-439 003	573 679	0	0
Valuation changes	-1 390 297	-185 642	-110 095	0	-1 686 034
Assets written off the balance sheet	0	0	-360 191	-1 163	-361 354
Other changes, including exchange differences	-18 869	-55 360	-16 761	-5 740	-96 730
Gross carrying amount as at 31.03.2023	**48 410 467**	**7 721 727**	**5 876 832**	**258 358**	**62 267 384**
Expected credit losses					

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Expected credit losses as at 01.01.2023	**429 952**	**773 922**	**3 217 249**	**41 034**	**4 462 157**
New / purchased / granted financial assets	53 292	0	0	21 470	74 762
Changes due to the sale or expiry of the instrument	-22 475	-14 518	-62 440	-202	-99 635
Transfer to Stage 1	64 433	-74 201	9 768	0	0
Transfer to Stage 2	-46 821	61 255	-14 434	0	0
Transfer to Stage 3	-18 491	-94 456	112 947	0	0
Change in the estimate of expected credit losses	-24 992	115 637	263 840	-6 951	347 534
Total allowances for expected credit losses in the income statement	**4 946**	**-6 283**	**309 681**	**14 317**	**322 661**
Assets written off the balance sheet	0	0	-360 191	-1 163	-361 354
Other changes, including exchange differences	-85	-180	61 061	-16 360	44 436
Expected credit losses as at 31.03.2023	**434 813**	**767 459**	**3 227 800**	**37 828**	**4 467 900**
Net carrying amount as at 31.03.2023	**47 975 654**	**6 954 268**	**2 649 032**	**220 530**	**57 799 484**

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Gross carrying amount as at 01.01.2022	**48 608 804**	**7 450 822**	**7 248 943**	**270 001**	**63 578 570**
New / purchased / granted financial assets	3 965 221	0	0	4 589	3 969 810
Changes due to the sale or expiry of the instrument	-1 487 499	-259 849	-76 571	-4 088	-1 828 007
Transfer to Stage 1	655 182	-633 131	-22 051	0	0
Transfer to Stage 2	-1 574 284	1 635 059	-60 775	0	0
Transfer to Stage 3	-78 518	-346 559	425 077	0	0
Valuation changes	-1 550 227	-186 366	-120 439	0	-1 857 032
Assets written off the balance sheet	0	0	-442 390	-4 015	-446 405
Other changes, including exchange differences	9 444	-51 041	-15 514	-2 420	-59 531
Gross carrying amount as at 31.03.2022	**48 548 123**	**7 608 935**	**6 936 280**	**264 067**	**63 357 405**
Expected credit losses					
Expected credit losses as at 01.01.2022	**444 370**	**731 739**	**4 099 702**	**74 581**	**5 350 392**
New / purchased / granted financial assets	48 317	0	0	143	48 460
Changes due to the sale or expiry of the instrument	-87 847	-8 619	-19 391	-542	-116 399
Transfer to Stage 1	87 753	-82 942	-4 811	0	0
Transfer to Stage 2	-36 671	100 570	-63 899	0	0
Transfer to Stage 3	-3 317	-91 323	94 640	0	0
Change in the estimate of expected credit losses	-86 853	96 057	207 207	3 477	219 888
Total allowances for expected credit losses in the income statement	**-4 535**	**13 743**	**213 746**	**3 078**	**226 032**
Assets written off the balance sheet	0	0	-442 390	-4 015	-446 405
Other changes, including exchange differences	326	395	75 936	96	76 753
Expected credit losses as at 31.03.2022	**440 161**	**745 877**	**3 946 994**	**73 740**	**5 206 772**
Net carrying amount as at 31.03.2022	**48 107 962**	**6 863 058**	**2 989 286**	**190 327**	**58 150 633**

20 Other assets

20.1 Financial data

	31.03.2023	31.12.2022
Sundry debtors	**600 725**	**511 756**
Other settlements	375 505	365 427
Receivables related to sales of services (including insurance)	22 260	15 624

(in PLN '000)

	31.03.2023	31.12.2022
Guarantee deposits	17 486	17 216
Settlements due to cash in ATMs	185 474	113 489
Costs recognised over time	**95 879**	**47 764**
Maintenance and support of systems, servicing of plant and equipment	54 136	27 979
Other deferred costs	41 743	19 785
VAT settlements	**31 626**	**20 422**
Other assets (gross)	**728 230**	**579 942**
Write-down	-62 078	-58 978
Other assets (net)	**666 152**	**520 964**
including financial assets (gross)	600 725	511 756

Change in write-downs

	31.03.2023	31.03.2022
Open balance	**58 978**	**52 772**
Provisions recorded	4 349	1 606
Provisions released	-940	-893
Assets written off from the balance sheet	-230	-95
Other changes	-79	116
Closing balance	**62 078**	**53 506**

21 Assets pledged as colleteral

21.1 Financial data

	31.03.2023	31.12.2022
Financial assets measured at amortised cost in the EIB	47 519	40 992
Total	**47 519**	**40 992**

Apart from assets that secure liabilities that are disclosed separately in the statement of financial position, the Bank additionally held the following collateral for the liabilities that did not meet the criterion of separate presentation in accordance with IFRS 9:

	31.03.2023	31.12.2022
Treasury bonds blocked with BGF	440 924	446 881
Deposits as derivative transactions (ISDA) collatera	1 669 163	2 057 094
Deposit as collateral of transactions performed in Alior Trader	15	14
Total	**2 110 102**	**2 503 989**

22 Amounts due to banks

22.1 Financial data

Structure by type	31.03.2023	31.12.2022
Current deposits	7 696	28 022
Term deposits	91 697	0
Received loan	128 364	115 467

(in PLN '000)

Structure by type	31.03.2023	31.12.2022
Other liabilities	76 107	126 942
Total amounts due to banks	**303 864**	**270 431**

23 Amounts due to customers

23.1 Financial data

Structure by type and customer segment	31.03.2023	31.12.2022
Retail segment	**50 397 187**	**51 071 189**
Current deposits	34 762 809	35 084 419
Term deposits	14 369 712	14 971 308
Own issue of banking securities	994 112	747 601
Other liabilities	270 554	267 861
Corporate segment	**21 459 023**	**19 705 620**
Current deposits	13 209 861	13 947 793
Term deposits	7 948 213	5 484 416
Own issue of banking securities	4 614	4 361
Other liabilities	296 335	269 050
Total amounts due to customers	**71 856 210**	**70 776 809**

From 1 January to 31 March 2023 the Group issued own securities amounted to PLN 249 615 thousand and securities purchased before maturity amounted to PLN 4 402 thousand.

In 2022 the Group issued own securities amounted to PLN 418 353 thousand and securities purchased before maturity amounted to PLN 76 573 thousand.

24 Provisions

24.1 Financial data

	Provisions for legal claims*	Provisions for retirement benefits	Provisions for off-balance sheet liabilities granted	Restructuring provision	Provision for reimbursement of credit costs (TSUE)	Total provisions
As at 1 January 2023	**52 371**	**5 479**	**116 823**	**1 718**	**91 556**	**267 947**
Established provisions	5 477	0	17 705	0	0	23 182
Reversal of provisions	-3 726	-328	-73 510	0	0	-77 564
Utilized provisions	-2 294	0	0	-226	-6 946	-9 466
Other changes	-1	0	-51	0	0	-52
As at 31 March 2023	**51 827**	**5 151**	**60 967**	**1 492**	**84 610**	**204 047**

**the share of the provision for legal risk related to the FX indexed loan portfolio amounted 11.4%*

	Provisions for legal claims*	Provisions for retirement benefits	Provisions for off-balance sheet liabilities granted	Restructuring provision	Provision for reimbursement of credit costs (TSUE)	Total provisions
As at 1 January 2022	**41 530**	**6 459**	**136 743**	**2 050**	**103 431**	**290 213**
Established provisions	5 720	0	18 387	0	8 692	32 799
Reversal of provisions	-1 439	-216	-18 223	0	0	-19 878
Utilized provisions	-3 883	0	0	-140	-10 628	-14 651
Other changes	39	0	105	0	0	144
As at 31 March 2022	**41 967**	**6 243**	**137 012**	**1 910**	**101 495**	**288 627**

**the share of the provision for legal risk related to the FX indexed loan portfolio amounted 6.4%*

(in PLN '000)

Split of the restructuring provision as at 31.03.2023 is presented below:

	31.12.2022	utilisation	31.03.2023
Employee briefings	154	0	154
Reorganisation of the branch network	1 564	-226	1 338
Total	**1 718**	**-226**	**1 492**

25 Other liabilities

25.1 Financial data

	31.03.2023	31.12.2022
Other financial liabilities	778 932	994 741
Interbank settlements	490 108	737 556
Settlements of payment cards	2 210	7 234
Other settlements, including	220 923	189 312
settlements with insurers	*18 954*	*14 120*
Liability for reimbursement of credit costs	65 691	60 639
Other non financiali liabilities	1 331 428	1 049 491
Taxes, customs duty, social and health insurance payables and other public settlements	281 734	47 677
Settlements of issues of bank certificates of deposits	63 733	51 787
Liabilities due to contributions to the Bank Guarantee Fund	249 566	192 066
Accrued expenses	163 367	211 885
Income received in advance	56 999	55 763
Provision for bancassurance resignations	62 210	62 790
Provision for bonuses	106 996	91 731
Provision for unutilised annual leaves	31 359	23 021
Provision for bonuse settled in phantom shares	5 325	4 824
Provision for retention programs	37	37
Other employee provisions	6 473	1 203
Liabilities due to lease agreements	251 776	255 196
Other liabilities	51 853	51 511
Total other liabilities	**2 110 360**	**2 044 232**

26 Financial liabilities

26.1 Financial data

	31.03.2023	31.12.2022
Short sale of T-bonds	**26 685**	**0**
Interest rate transactions	**182 019**	**190 306**
SWAP	177 794	187 609
Cap Floor Options	4 042	2 697
FRA	183	0
Foreign exchange transactions	**78 032**	**62 128**
FX Swap	52 893	44 282
FX forward	8 432	5 383
CIRS	7 691	6 705
FX options	9 016	5 758

(in PLN '000)

	31.03.2023	31.12.2022
Other options	**811**	**529**
Other instruments	**2 679**	**3 031**
Total measured at fair value through profit or loss/ held for trading	**290 226**	**255 994**

27 Subordinated liabilities

27.1 Financial data

					Status of liabilities	
Liabilities classified as the Bank's own funds	Nominal value in the currency	Currency	Term	Interest	31.03.2023	31.12.2022
Series F bonds	321 700	PLN	26.09.2014-26.09.2024	WIBOR6M +3.14	322 234	330 643
Series P1B bonds	70 000	PLN	29.04.2016-16.05.2024	WIBOR6M +3.00	72 817	70 953
Series K and K1 bonds	600 000	PLN	20.10.2017-20.10.2025	WIBOR6M +2.70	627 144	612 156
Series P2A bonds	150 000	PLN	14.12.2017-29.12.2025	WIBOR6M +2.70	153 781	150 123
Subordinated liabilities					**1 175 976**	**1 163 875**

28 Off-balance sheet items

28.1 Financial data

Off-balance sheet contingent liabilities granted to customers	31.03.2023	31.12.2022
Granted off-balance liabilities	**10 741 681**	**10 204 376**
Concerning financing	**10 090 590**	**9 557 856**
Guarantees	**651 091**	**646 520**
Performance guarantees	276 114	341 408
Financial guarantees	374 977	305 112

29 Fair value

29.1 Accounting principles and estimates and assumptions

The fair value is a price receivable in the sale of an asset or payable for transfer of a liability in an arm's length transaction in the principal (or most advantageous) market as at the measurement date subject to prevailing market conditions (exit price), irrespective of the fact if such price is directly observable or estimated with another measurement technique.

Depending on the classification category of financial assets and liabilities to a specific hierarchy level, various methods to measure fair value are applied.

Level 1: On the basis of prices quoted in the principal (or most advantageous) market

Financial assets and liabilities with fair value measured directly on the basis of quoted prices (not adjusted) from active markets for identical assets or liabilities. This category includes financial and equity instruments measured at fair value through profit and loss for which there is an active market and for which the fair value is determined on the basis of market value being the purchase price:

- debt securities listed on active, liquid financial markets,
- debt and equity securities traded in a regulated market, including in the portfolio of the Brokerage House,
- derivative instruments that are traded in a regulated market.

Level 2: On the basis of measurement techniques based on assumptions using information coming from the principal (or most advantageous) market;

Financial assets and liabilities whose fair value is measured with measurement models where all material input data is observable in the market directly (as prices) or indirectly (relying on prices). In that category the Bank classifies financial instruments for which no active market exists:

	Measurement method (techniques)	Material observable input data
DERIVATIVE FINANCIAL INSTRUMENTS – CIRS. IRS. FRA. FX. FORWARD. FX SWAP TRANSACTIONS	The model of discounted future cash flows based on profitability curves.	Profitability curves are built on the basis of market rates. market data of the money market. FRA. IRS. OIS basis swap transaction market. FX instruments are measured using NBP's fixing rates and market rates of swap points.
FX OPTIONS. INTEREST RATE OPTIONS	FX options and interest rate options are measured with the use of specific valuation models characteristic for a specific option.	For option instruments additionally market quotations are used for market variability quotations of currency pairs and interest rates.
MONEY BILLS/TREASURY BILLS	Profitability curve method	Profitability curves are developed on the basis of money market data.
COMMODITY FORWARD/SWAP	Commodity instruments are measured on the basis of future cash flows calculated on the basis of profitability curves characteristic for specific commodities.	Profitability curves are built on the basis of quoted commodity futures contracts.

Level 3: For which minimum one factor affecting the price is not observable in the market.

Financial assets and liabilities with the fair value measured with the measurement models where input data is not based on observable market data (non-observable input data).

Such instruments include options embedded in certificates of deposit issued by the Group and options in the interbank market to hedge positions of the embedded options. The fair value is determined on the basis of market prices of those options or an internal model subject to both observable parameters (e.g. price of the base instrument, secondary quotations of options) and non-observable (e.g. variability, correlations between base instruments in options based on a basket). Model parameters are determined on the basis of a statistical analysis. At the end of the reporting period, the position in the above-mentioned instruments was closed on back-to-back basis, which means that the change in valuation of options embedded in structured instruments is offset by changes in the valuation of options concluded on the interbank market. The group also contains the Group's position in commercial debt securities where apart from the parameters coming from market quotations are affected by non-observable volume of credit spread. The spread is based on the primary market price or at transaction execution. It is updated when reliable market quotations occur or when prices are obtained from transactions of comparable volume. The spread is also changed on the basis of information of a changed credit standing of the security issuer. At the end of the first quarter of 2023, the sensitivity of changed measurement of those assets in the case of an increase of the credit spread by 1 basis point was PLN 0.26 thousand.

	Measurement method (techniques)	Material observable input data	Factor unobservable
CORPORATE BONDS	Profitability curve model and risk margin	Profitability curves are developed on the basis of bond market data.	Credit spread, credit spread volatility
EXOTIC OPTIONS	The prices of exotic options embedded in structured products are determined on the basis of market prices or measured with the internal model subject to both observable parameters (e.g. price of the base instrument, secondary quotations of options) and non-observable (e.g. variability, correlations between base instruments).	The prices of exotic options embedded in structured products are acquired from the market.	Volatility of prices of underlying instruments, correlations of prices of underlying instruments

(in PLN '000)

	Measurement method (techniques)	Material observable input data	Factor unobservable
SHARES VISA INC C SERIES	The current market value of listed ordinary shares of Visa Inc. subject to the conversion ratio and discount, considering changing prices of the shares of Visa Inc.	Market value of the listed ordinary shares of Visa Inc.	Discount due to the illiquid nature of the securities, common stock conversion factor
SHARES PSP sp. z o.o.	Fair value estimation is based on the current value of the company's forecast results	Risk free rate	Risk premium, financial performance forecast
SHARES RUCH SA	Estimating the fair value based on the present value of the company's forecast results	Risk-free rate	Risk premium, financial performance forecast

Transfers of instruments between measurement levels as at the end of the reporting period. Transfers are made subject to conditions set forth in the international financial reporting standards. for instance, quotation availability of instruments from an active market, availability of quotations of pricing factors, or impact of non-observable data on the fair value.

29.2 Financial data

Below there are carrying values of financial assets and liabilities split into measurement categories (levels).

Compared to the previous reporting period. there was no change to the classification and measurement principles of the hierarchy levels of the fair value.

31.03.2023	Level 1	Level 2	Level 3	Total
Financial assets	**9 543 869**	**2 825 058**	**175 430**	**12 544 357**
Measured at fair value through profit and loss	**13 068**	**308 388**	**46 278**	**367 734**
SWAP	0	210 792	0	210 792
Cap Floor Ooptions	0	4 042	0	4 042
FRA	0	626	0	626
FX Swap	0	6 411	0	6 411
FX forward	0	29 900	0	29 900
CIRS	0	46 027	0	46 027
FX options	0	7 858	0	7 858
Other options	0	0	811	811
Other instruments	0	2 732	0	2 732
Financial derivatives	**0**	**308 388**	**811**	**309 199**
T- bonds	13 068	0	0	13 068
Other bonds	0	0	4 339	4 339
Equity instruments	0	0	41 128	41 128
Investments securities	**13 068**	**0**	**45 467**	**58 535**
Measured at fair value through other comprehensive income	**9 530 801**	**2 268 559**	**129 152**	**11 928 512**
Money bills	0	1 498 034	0	1 498 034
T- bonds	8 902 766	0	0	8 902 766
T-bills	58 084	770 525	0	828 609
Other bonds	569 951	0	31 946	601 897
Equity instruments	0	0	97 206	97 206
Derivative hedging instruments	**0**	**248 111**	**0**	**248 111**
Interest rate transactions – SWAP	0	248 111	0	248 111

31.12.2022	Level 1	Level 2	Level 3	Total
Financial assets	**8 408 381**	**1 892 883**	**210 133**	**10 511 397**
Measured at fair value through profit and loss	**4 628**	**365 250**	**67 382**	**437 260**
SWAP	0	240 228	0	240 228

(in PLN '000)

31.12.2022	Level 1	Level 2	Level 3	Total
Cap Floor Ooptions	0	2 697	0	2 697
FX Swap	0	3 837	0	3 837
FX forward	0	50 762	0	50 762
CIRS	0	56 550	0	56 550
FX options	0	6 311	0	6 311
Other options	0	0	529	529
Other instruments	38	4 865	0	4 903
Financial derivatives	**38**	**365 250**	**529**	**365 817**
T- bonds	4 590	0	0	4 590
Other bonds	0	0	8 007	8 007
Equity instruments	0	0	58 846	58 846
Investments securities	**4 590**	**0**	**66 853**	**71 443**
Measured at fair value through other comprehensive income	**8 403 753**	**1 349 494**	**142 751**	**9 895 998**
Money bills	0	1 349 494	0	1 349 494
T- bonds	7 806 138	0	0	7 806 138
T-bills	58 016	0	0	58 016
Other bonds	539 599	0	49 593	589 192
Equity instruments	0	0	93 158	93 158
Derivative hedging instruments	**0**	**178 139**	**0**	**178 139**
Interest rate transactions – SWAP	0	178 139	0	178 139

31.03.2023	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities measured at fair value through profit or loss	**26 685**	**262 730**	**811**	**290 226**
Bonds	26 685	0	0	26 685
SWAP	0	177 794	0	177 794
Cap Floor Ooptions	0	4 042	0	4 042
FRA	0	183	0	183
FX Swap	0	52 893	0	52 893
FX forward	0	8 432	0	8 432
CIRS	0	7 691	0	7 691
FX options	0	9 016	0	9 016
Other options	0	0	811	811
Other instruments	0	2 679	0	2 679
Derivative hedging instruments	**0**	**1 384 034**	**0**	**1 384 034**
Interest rate swaps - IRS	0	1 384 034	0	1 384 034

31.12.2022	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities measured at fair value through profit or loss	**9**	**255 456**	**529**	**255 994**
Bonds	0	0	0	0
SWAP	0	187 609	0	187 609
Cap Floor Ooptions	0	2 697	0	2 697
FX Swap	0	44 282	0	44 282
FX forward	0	5 383	0	5 383
CIRS	0	6 705	0	6 705

(in PLN '000)

31.12.2022	Level 1	Level 2	Level 3	Total
FX options	0	5 758	0	5 758
Other options	0	0	529	529
Other instruments	9	3 022	0	3 031
Derivative hedging instruments	**0**	**1 678 933**	**0**	**1 678 933**
Interest rate swaps - IRS	0	1 678 933	0	1 678 933

Reconciliation of changes at level 3 of fair value hierarchry

	Assets		Liabilities	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Opening balance	**210 133**	**247 467**	**529**	**10 845**
Acquisitions	2	503	2	403
Net changes recognized in other comprehensive income	-3 117	40 047	0	0
Net changes recognized in other comprehensive income	3 524	712	280	-59
Currency differences	9	2 159	0	0
Settlement / redemption	-35 121	-10 326	0	-8 019
Total	**175 430**	**280 562**	**811**	**3 170**

At the end of the first quarter of 2023 the impact of the credit spread on the valuation of debt instruments measured at fair value through other comprehensive income (FVOCI) was approx. amounted to PLN 0.05 million and for debt instruments measured at fair value through profit and loss account approx. amounted to PLN 0.01 million.

Fair value measurement for disclosure purposes

Below is presented the carrying value and fair value of assets and liabilities that are not disclosed in the statement of financial position at fair value.

31.03.2023	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Cash and cash equivalents	**4 578 041**	**2 834 268**	**1 743 773**	**0**	**4 578 041**
Amount due from banks	**1 766 612**	**0**	**1 766 612**	**0**	**1 766 612**
Loans and advances to customers	**57 799 484**	**0**	**0**	**56 238 920**	**56 238 920**
Retail segment	**34 839 040**	**0**	**0**	**33 165 770**	**33 165 770**
Consumer loans	14 946 417	0	0	14 300 497	14 300 497
Loans for residential real estate	15 923 668	0	0	14 747 190	14 747 190
Consumer finance loans	3 968 955	0	0	4 118 083	4 118 083
Corporate segment	**22 960 444**	**0**	**0**	**23 073 150**	**23 073 150**
Working capital facility	11 084 501	0	0	11 428 461	11 428 461
Investment loans	5 050 127	0	0	5 123 084	5 123 084
Other	6 825 816	0	0	6 521 605	6 521 605
Asstes pledged as collateral	**47 519**	**47 519**	**0**	**0**	**47 519**
Investment securities measured at amortized cost	**4 519 116**	**4 477 627**	**0**	**60**	**4 477 687**
Other financial assets	**600 725**	**0**	**0**	**600 725**	**600 725**
Liabilities					
Amounts due to banks	**303 864**	**0**	**303 864**	**0**	**303 864**
Current deposits	7 696	0	7 696	0	7 696
Term deposits	91 697	0	91 697	0	91 697
Credit received	128 364	0	128 364	0	128 364

(in PLN '000)

31.03.2023	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Other liabilities	76 107	0	76 107	0	76 107
Amounts due to customers	**71 856 210**	**0**	**0**	**71 944 128**	**71 944 128**
Current deposits	47 972 670	0	0	47 972 670	47 972 670
Term deposits	22 317 925	0	0	22 317 925	22 317 925
Bonds issued	998 726	0	0	1 086 644	1 086 644
Other liabilities	566 889	0	0	566 889	566 889
Other financial liabilities	**778 932**	**0**	**0**	**778 932**	**778 932**
Subordinated liabilities	**1 175 976**	**0**	**0**	**1 175 976**	**1 175 976**

31.12.2022	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Cash and cash equivalents	**2 584 143**	**1 843 785**	**740 358**	**0**	**2 584 143**
Amount due from banks	**2 373 663**	**0**	**2 373 663**	**0**	**2 373 663**
Loans and advances to customers	**57 609 876**	**0**	**0**	**56 259 686**	**56 259 686**
Retail segment	**35 229 849**	**0**	**0**	**33 296 691**	**33 296 691**
Consumer loans	15 115 535	0	0	14 397 150	14 397 150
Loans for residential real estate	15 823 033	0	0	14 630 196	14 630 196
Consumer finance loans	4 291 281	0	0	4 269 345	4 269 345
Corporate segment	**22 380 027**	**0**	**0**	**22 962 995**	**22 962 995**
Working capital facility	10 873 912	0	0	11 581 084	11 581 084
Investment loans	4 885 632	0	0	5 061 388	5 061 388
Other	6 620 483	0	0	6 320 523	6 320 523
Asstes pledged as collateral	**40 992**	**40 820**	**0**	**0**	**40 820**
Investment securities measured at amortized cost	**6 681 842**	**6 608 409**	**0**	**55**	**6 608 464**
Other financial assets	**511 756**	**0**	**0**	**511 756**	**511 756**
Liabilities					
Amounts due to banks	**270 431**	**0**	**270 431**	**0**	**270 431**
Current deposits	28 022	0	28 022	0	28 022
Credit received	115 467	0	115 467	0	115 467
Other liabilities	126 942	0	126 942	0	126 942
Amounts due to customers	**70 776 809**	**0**	**0**	**70 845 734**	**70 845 734**
Current deposits	49 032 212	0	0	49 032 212	49 032 212
Term deposits	20 455 724	0	0	20 455 724	20 455 724
Bonds issued	751 962	0	0	820 887	820 887
Other liabilities	536 911	0	0	536 911	536 911
Other financial liabilities	**994 741**	**0**	**0**	**994 741**	**994 741**
Subordinated liabilities	**1 163 875**	**0**	**0**	**1 163 875**	**1 163 875**

For many instruments. market values are not available; therefore, the fair value is estimated with a number of measurement techniques. Measurement of the fair value of financial instruments has been made with a model based on estimates of the present value of future cash flows by discounting cash flows at appropriate discount rates.

All model calculations contain certain simplifications and are sensitive to the underlying assumptions. Below there is a summary of core methods and assumptions used to estimate the fair value of financial instruments that are not measured at fair value.

(in PLN '000)

Loans and advances to customers:

In the method applied by the Group to calculate the fair value of receivables from customers (without overdraft facilities), the Group compares the margins generated on newly granted loans (in the month preceding the reporting date) with the margin on the total loan portfolio. If the margins on newly granted loans are higher than the margins on the portfolio, the fair value of the loan is lower than its carrying value.

Loans and advances to customers were fully classified to level 3 of the fair value hierarchy due to the application of a measurement model with material non-observable input data or current margins generated on newly granted loans.

Financial liabilities measured at amortised cost

The Group assumes that the fair value of customer and bank deposits and other financial liabilities maturing within 1 year is approximately equal to their carrying value. Deposits are accepted on a daily basis and thus their terms and conditions are similar to the prevailing market terms and conditions of identical transactions. The maturities of those items are short and therefore there is no major difference between the carrying value and fair value.

For disclosure purposes, the Group determines the fair value of financial liabilities with residual maturities (or repricing of the variable rate) in excess of 1 year. That group of liabilities includes the own issues and subordinated loans. Determining the fair value of that group of liabilities, the Group determines the present value on anticipated payments on the basis of present percentage curves and the original spread of the issue.

Other financial assets and liabilities

For other financial instruments, the Bank assumes that the carrying value is close to fair value. This applies to the following items: cash and cash equivalents, assets available for sale, other financial assets, and other financial liabilities.

30 Transactions with related entities

The ultimate parent company of the Group is Powszechny Zakład Ubezpieczeń SA.

The related parties of the Group are PZU SA and its related entities and entities related to members of the Management and Supervisory Boards. Through PZU, Alior Bank is indirectly controlled by the State Treasury.

The following tables present the type and value of transactions with related parties. Transactions between the Bank and its subsidiaries which are related parties of the Bank have been eliminated in consolidation and are not disclosed in this note.

Nature of transactions with related entities

All transactions with related entities are performed in line with relevant regulations concerning banking products and at market rates.

Parent company	31.03.2023	31.12.2022
Other assets	2 803	4 797
Total assets	**2 803**	**4 797**
Amounts due to customers	597	26
Other liabilities	267	365
Total liabilities	**864**	**391**

(in PLN '000)

Subsidiaries of the parent company	31.03.2023	31.12.2022
Cash and cash equivalents	747	540
Investment financial assets measured at fair value through profit or loss	0	71
Loans and advances to customers	69 054	77 363
Other assets	4	51
Total assets	**69 805**	**78 025**
Amounts due to customers	212 369	249 368
Other liabilities	2 530	3 699
Total liabilities	**214 899**	**253 067**

Joint control by persons related to the Group	31.03.2023	31.12.2022
Loans and advances to customers	0	1
Total assets	**0**	**1**
Amounts due to customers	6 638	3 575
Amounts due to customers	**6 638**	**3 575**

Subsidiaries of the parent company	31.03.2023	31.12.2022
Off-balance liabilities granted to customers	**14 089**	**7 598**
Relating to financing	14 089	7 598

Parent company	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Interest income calculated using the effective interest method	5 306	3 508
Fee and commission income	11 258	14 808
Fee and commission expense	-1 642	-1 834
Net other operating income and expenses	9	52
General administrative expenses	-1 088	-1 175
Total	**13 843**	**15 359**

Subsidiaries of the parent company	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Interest income calculated using the effective interest method	19 603	15 774
Interest expences	-1 346	-1 885
Fee and commission income	3 788	6 783
Fee and commission expense	-1	-1
The result on financial assets measured at fair value through profit or loss and FX result	0	3
Net other operating income and expenses	1	251
General administrative expenses	-2 624	-1 519
Net expected credit losses	3	2
Total	**19 424**	**19 408**

Joint control by persons related to the Group	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Interest expences	-20	0
Fee and commission income	29	0
Total	**9**	**0**

(in PLN '000)

Transactions with the State Treasury and related entities

Below there are material transactions with the State Treasury and its related entities with the exception of IAS 24.25.

State Treasury and related entities	31.03.2023	31.12.2022
Investment financial assets	**13 108 121**	**14 152 771**
measured at fair value through other comprehensive income	9 552 182	8 395 330
measured at fair value through profit or loss	17 403	12 593
measured at amortized cost	3 538 536	5 744 848
Amounts due from banks	2 020	197
Loans and advances to customers	442 352	188 506
Total assets	**13 552 493**	**14 341 474**
Financial Liabilities	26 685	0
Amounts due to banks	11 147	12 971
Amounts due to customers	1 246 914	618 995
Total liabilities	**1 284 746**	**631 966**

State Treasury and related entities	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Interest income calculated using the effective interest method	230 666	62 594
Interest expense	-13 628	-3 035
The costs of paid tax	-169 444	-155 645
Total	**47 594**	**-96 086**

All transactions with the State Treasury and its related entities were concluded at arm's length.

31 Benefits for the for senior executives

31.1 Principles applicable to the remuneration of persons in managerial positions at the Bank

The Bank has a Remuneration Policy which covers all employees with its provisions. The Remuneration Policy is reviewed by the Appointment and Remuneration Committee of the Supervisory Board and adopted by the Management Board and approved by the Supervisory Board. As regards persons holding managerial positions, who have a significant impact on the risk profile, the principles of the Policy have been established based on the provisions of the Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and internal control system as well as the remuneration policy in banks.

Persons having an impact on the Risk Profile (MRT) are members of the Management Board, managing directors and persons identified on the basis of the criteria defined in the Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36 / EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria for determining management responsibilities, control functions, significant business units and the significant impact on the risk profile of a significant business unit, and specifying criteria for identifying employees or categories of staff whose professional activities affect the risk profile of these institutions in a comparable manner as important as in the case of employees or categories of employees referred to in art. 92 sec. 3 of this directive.

31.2 Financial data

All transactions with supervising and managing persons are performed in line with the relevant regulations concerning banking products and at market rates.

(in PLN '000)

31.03.2023	Supervising, managing persons	Supervisory Board	Bank's Management Board
Loans and advances to customers	413	0	413
Total assets	**413**	**0**	**413**
Amounts due to customers	1 743	0	1 743
Total liabilities	**1 743**	**0**	**1 743**

31.03.2022	Supervising, managing persons	Supervisory Board	Bank's Management Board
Loans and advances to customers	419	1	418
Total assets	**419**	**1**	**418**
Amounts due to customers	798	11	787
Total liabilities	**798**	**11**	**787**

The total cost of remuneration of Members of the Bank's Supervisory Board and Members of the Bank's Management Board from 1 January to 31 March 2023 recognized in the profit and loss account of the Group in this period amounted to PLN 5 676 thousand (in the period from 1 January to 31 March 2022 - PLN 3 919 thousand).

31.3 Incentive program for senior executives

The following incentive programs operate in the Alior Bank SA Group:

- bonus scheme for the Management Board, valid from 2016;
- annual variable remuneration granted partly in financial instruments (phantom shares) for persons having an impact on the risk profile; the settlement of phantom shares takes place in cash.

32 Legal claims

In the Bank's opinion, no single court, arbitration court or public administration body proceedings in progress during the first quarter of 2023, and none of the proceedings jointly, could pose a threat to the Bank's financial liquidity. The proceedings which according to the opinion of the Management Board are significant are presented below.

Case claimed by a client

Case claimed by a limited company for a payment of PLN 109 967 thousand in respect of compensation for damage incurred in connection with the conclusion and settlement of treasury transactions. The claim dated 27 April 2017 was brouhgt against Alior Bank SA and Bank BPH SA. In the Bank's opinion, the claim has no valid factual and legal basis and probability of an outflow of funds is negligible.

Cases related to the distribution of certificates of participation in investment funds

The Bank, as part of its activities as part of a separate organizational unit - Biuro Maklerskie Alior Bank SA, in the years 2012 - 2016 conducted activities in the field of distribution of certificates of participation in investment funds: Inwestycje Rolne Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, Inwestycje Selektywne Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, Lasy Polskie Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych and Vivante Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (hereinafter collectively referred to as "Funds"). The bank distributed over 250 thousand investment certificates of the Funds.

On 21 November 2017, the Polish Financial Supervision Authority ("PFSA") issued a decision to withdraw the permit to operate by FinCrea TFI SA, which is the managing body of the Funds. The Polish Financial Supervision Authority justified the issuance of a decision found in the course of administrative proceedings for gross violations of the provisions of the Act on investment funds and management of alternative

investment funds. The decision was immediately enforceable. No society has decided to take over the management of the Funds, which, pursuant to Art. 68 sec. 2 in connection with joke. 246 paragraph. 1 point 2 of the Act on Investment Funds and Management of Alternative Investment Funds was the reason for the dissolution of the Funds. The dissolution of an investment fund takes place after liquidation.
The Funds are currently being liquidated by the custodian, Raiffeisen Bank International AG, based in Vienna. The liquidation of an investment fund consists in selling its assets, collecting the fund's receivables, satisfying the fund's creditors and redeeming participation units or investment certificates by paying the funds obtained to fund participants, in proportion to the number of participation units or investment certificates they have (Article 249 (1) of the Act. on investment funds and management of alternative investment funds). From the day of commencement of liquidation, the investment fund may not sell units or issue investment certificates, as well as buy back participation units or redeem investment certificates and pay out the fund's income or revenues (Article 246 (3) of the aforementioned Act).

Claims for payment
As at 31.03.2023, the Bank is defendant in 123 cases brought by the buyers of the Fund's investment certificates for payment (compensation for damage). The total value of the dispute in these cases is PLN 41.7 million.
In the Bank's opinion, each claims for payment requires an individual approach. The final value of the investment certificates of the Funds will be determined after the completion of the liquidation. However, the Bank conducted a thorough analysis, selected cases and singled out those with specific risk factors, which the Bank took into account in its approach to the provision created on this account. In the calculation of the provision, the Bank also took into account the possible increase in the scale of lawsuits. The total amount of the provision as at 31 March 2023 amounted PLN 19.6 million.

Liability claims
The Bank is the defendant in 1 collective action brought by a natural person - a representative of a group of 320 natural and legal persons, for determination of the Bank's liability for damage and in 4 individual cases for establishing the Bank's liability for damage.

The class action was filed on 5 March 2018 against the Bank to determine the Bank's liability for damage caused by the Bank's improper performance of disclosure obligations towards customers and the improper performance of contracts for the provision of services for accepting and transmitting orders to purchase or sell Fund investment certificates. The court decided to hear the case in group proceedings.

On 8 March 2023, the District Court in Warsaw issued a decision to determine the composition of the group. As at the date of this report, this decision is invalid. The value of the subject of the extended claim amounts to approx. PLN 103.9 million.

The lawsuits were filed to establish liability (not for payment, i.e. compensation for damage), therefore the Bank does not anticipate any outflow of cash from these proceedings, other than litigation costs, the amount of which the Bank estimates at PLN 600 thousand.

Polish Financial Supervision Authority (PFSA) by decision of 6 August 6 2019 issued on the basis of art. 167 section 2 point 1 in connection with art. 167 section 1 point 1 of the Act on trading in financial instruments, imposed a fine on the Bank in the amount of PLN 10 000 000. The proceedings concerned the correct operation of Alior Bank and the Bank's Brokerage House in the scope of distribution of investment certificates of funds previously managed by Fincrea TFI S.A. and now Raiffeisen Bank International AG (Joint Stock Company) Branch in Poland. The bank requested the PFSA to reconsider the case. The Polish Financial Supervision Authority, after re-examining the case with a decision of 3 December 2019, upheld the original decision. On 3 January 2020, the Bank appealed against this decision to the Provincial Administrative Court in Warsaw. On 17 June 2020, the Provincial Administrative Court in Warsaw issued a judgment in which it revoked the decision of the Polish Financial Supervision Authority (PFSA) of 3 December 2019, upholding the earlier decision of the Polish Financial Supervision Authority of 6 August 2019 on the imposition of two fines on the Bank in the total amount of PLN 10 million and discontinued the proceedings conducted by the Polish Financial Supervision Authority in this case. The Polish Financial Supervision Authority (PFSA) filed a cassation complaint with the Supreme Administrative Court. As at the date of publication of this report, the Supreme Administrative Court has not considered the complaint.

Proceedings before the President of the Office of Competition and Consumer Protection (UOKiK)

Proceedings on provisions of recognizing a standard contract as illegal, the so-called modification clauses

On 27 September 2019, the President of the Office of Competition and Consumer Protection (UOKiK) initiated ex officio proceedings against Alior Bank SA to recognize a standard contract as illegal (reference number RPZ.611.4.2019.PG) the subject of which is 11 clauses (the so-called modification clauses) included in contract templates used by the Bank, on the basis of which the Bank made unilateral changes to contracts concluded with consumers. The President of UOKiK questioned the wording of the provisions in question, among others as imprecise and not allowing consumers to verify the occurrence of premises for the change being made. The Bank corresponds with the President of the Office of Competition and Consumer Protection in this case. The Bank presented to the Office of Competition and Consumer Protection a plan to remove the ongoing effects of the breach from contracts with customers. If it is approved by the President of UOKiK, it will be possible to conduct further discussions on adjusting the questioned modification clauses to the expectations of the President of UOKiK. As at 31 March 2023, the Group has not identified any rationale for making provisions on this account.

Proceedings on unauthorized payment transactions

UOKiK conducts explanatory proceedings (reference number: RWR.405.4.2021.ET) in order to initially determine whether the Bank's actions taken after consumers reported unauthorized payment transactions referred to in the Act of 19 January 2011 on payment services (Journal U. 2020, item 794, as amended, hereinafter: "uup"), may justify the initiation of proceedings on practices infringing collective consumer interests or proceedings on declaring the provisions of standard contracts illegal. These proceedings are conducted "in the case", the Bank is not a party to them. In it, the Bank provided the documents and information requested by UOKiK. Currently, UOKiK is most likely analyzing the material obtained from the Bank, which describes the practice applied by the Bank covered by the scope of the proceedings. At the moment, the Bank has not received correspondence from UOKiK in which the authority would express reservations to the Bank in connection with the applied practice. Nevertheless, messages appeared on the UOKiK website informing about the initiation of proceedings regarding practices infringing collective consumer interests against 9 other banks whose practice was verified in explanatory proceedings analogous to those conducted against the Bank. Since the Bank applies a similar practice to the questioned one in the case of these 9 banks, it should be expected that the Bank will also receive a decision to initiate proceedings regarding practices infringing collective consumer interests. At the moment, however, it is not possible to estimate how the proceedings, which are currently not instituted, would have developed. In particular, what would UOKiK expect from the manner in which the Bank would remove the effects of the breach, and whether a fine would be imposed on the Bank. In order to make such estimates, it would be necessary to become acquainted with the justification for the decision to initiate the proceedings, which the Bank has not received (so far) and to initiate further correspondence with UOKiK in the case. In addition, the allegations of UOKiK raise doubts in the entire banking sector as to their compliance with European law. The provisions of the Payment Services Act, which UOKiK refers to in the context of these allegations, do not fully reflect the directive implemented therein. This resulted in numerous requests to UOKiK by the Polish Bank Association, as well as the introduction by the Ministry of Finance of a proposal to adapt these provisions to the indicated directive in the draft amendment to the Payment Services Act. In the Group's opinion, the complaints submitted so far in the event of a negative position of UOKiK will be recovered by the Group in court. For the remaining part, as at 31.03.2023, the Group had a provision in the amount of PLN 2.1 million.

(in PLN '000)

The value of disputed claims amounted to PLN 574 122 thousand as at 31.03.2023 and PLN 533 587 thousand as at the end of 2022.

The value of provisions for disputed claims amounted to PLN 51 827 thousand as at 31.03.2023 and PLN 52 371 thousand as at the end of 2022.

Affairs related to the operation of Alior Bank SA's subsidiaries

On 26 June 2019, to Alior Leasing sp. z o.o. a class action was filed for severance pay, filed by four former members of the company's Management Board who were dismissed by the Supervisory Board on 20 December 2018. The amount of the claimed claim is PLN 645 thousand. On 14 March 2022, the Court of Appeal in Wrocław changed the appealed judgment of the District Court in Wrocław of 11 August 2021 and ordered Alior Leasing to pay the plaintiffs the amount of the claimed claim together with interest for delay from 3 January 2019 to the day of payment. On 12 July 2022, the company filed a cassation appeal to the Court of Appeal in Wrocław, challenging the judgment issued by that court.

In December 2021, the Bank and the leasing company received another (new) summons from the former members of the Management Board of Alior Leasing to an ad hoc arbitration court under the management program; the summons was based on the same factual and legal circumstances as the previous ones. In the opinion of the Company and the Bank, the probability that the dismissed members of the Management Board will successfully obtain benefits under the management program in court is less than 50%. The position of the Company was based on legal opinions obtained by the Management Board of the Company. The above circumstances justify the lack of recognition of such provisions in the Group's financial statements.

Alior Leasing sp. z o.o identifies the possibility of claims by external entities in connection with the activities of some former employees and associates of the company. As at the date of this financial statements, claims in this respect were not reported. In the Group's opinion, there are no circumstances justifying the creation of a provision on this account.
The Group will not reveal further information regarding the above-indicated possible claims, in order not to weaken his future position in a potential dispute or administrative proceeding.

33 Total capital adequacy ratio and Tier 1 ratio

As at 31 March 2023, total capital adequacy ratio and Tier 1 ratio were calculated in accordance with the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR Regulation) and other regulations implementing "national options", among other, the Banking Act of 29 August 1997 (as amended) and Regulation of the Minister of Development and Finance of 25 May 2017 on a higher risk weight for exposures secured by mortgages on real estate (as amended).

In order to calculate the capital adequacy ratio, in first quarter of 2023 prudential consolidation was applied – the consolidation covered Alior Bank SA and Alior Leasing sp. z o.o. In the opinion of the Bank's Management Board, the other subsidiary entities, not subject to prudential consolidation are marginal for the Bank's core activity from the viewpoint of monitoring of credit institutions.

Equity for the purposes of the capital adequacy

	31.03.2023	31.12.2022*	31.12.2022
Total equity for the capital adequacy ratio	**7 228 977**	**7 555 807**	**6 796 637**
Tier I core capital (CET1)	6 711 032	6 988 086	6 228 916

(in PLN '000)

	31.03.2023	31.12.2022*	31.12.2022
Paid-up capital	1 305 540	1 305 540	1 305 540
Supplementary capital	5 401 470	5 401 470	5 401 470
Other reserves	174 447	174 447	174 448
Current year's reviewed by auditor	683 512	683 512	0
Accumulated losses	-59 282	-59 270	-59 270
Revaluation reserve – unrealised losses	-215 393	-291 830	-291 830
Intangible assets measured at carrying value	-313 494	-305 826	-305 826
Revaluation reserve – unrealised profit	164 561	148 570	148 570
Additional value adjustments - AVA	-14 326	-12 502	-12 502
Other adjustments items (adjustments for IFRS 9, non-performing exposures coverage gap, deferred tax assets)	-416 003	-56 025	-131 684
Tier II capital	517 945	567 721	567 721
Subordinated liabilities	517 945	567 721	567 721
Capital requirements	**3 764 257**	**3 723 849**	**3 832 108**
Total capital requirements for the credit, counterparty risk, adjustment to credit measurement, dilution and deliver of instruments to be settled at a later date	3 391 570	3 362 968	3 471 227
Total capital requirements for prices of equity securities, prices of debt securities, prices of commodities and FX risk.	4 316	2 781	2 781
Capital requirement relating to the general interest rate risk	18 219	9 980	9 980
Total capital requirements for the operational risk	350 152	348 120	348 120
Tier 1 ratio	**14,26%**	**15,01%**	**13,00%**
Total capital adequacy ratio	**15,36%**	**16,23%**	**14,19%**
Leverage ratio	**7,73%**	**8,19%**	**7,21%**

**On 16 March 2023, the Polish Financial Supervision Authority approved the inclusion of the consolidated profit for 2022 in the Alior Bank Group's own funds. Including the net profit generated in 2022 as at 31 Decembe, 2022 resulted in an increase in own funds to PLN 7.5 billion and a change in the ratios, as presented in the table above.*

The Group's capital ratios remain at levels significantly exceeding the minimum regulatory requirements and allow the Group to operate safely.

The Alior Bank SA Group decided to apply the transitional provisions provided for in Regulation 2020/873 with regard to certain adjustments in response to the COVID-19 pandemic, which means that for the purposes of assessing the Group's capital adequacy, the full impact related to the created COVID-19 provisions will not be taken into account.

MREL

The minimum requirements set by the Bank Guarantee Fund regarding own funds and liabilities subject to write-down or conversion ("MREL") applicable to the Group as at 31.03.2023 and untill 30.12.2023 are as follows:

- in relation to TREA 11.68% (of the total risk exposure)
- in relation to TEM 4.46% (total exposure measure).

and from 31 December 2023:

- in relation to TREA 15.36% (of the total risk exposure)
- in relation to TEM 5.91% (total exposure measure).

As at 31 March 2023, the Group met the MREL requirements set by the Bank Guarantee Fund.

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34 Purchases and disposals of property, plant and equipment and intangible assets

In the first quarter of 2023, significant acquisitions of tangible fixed assets were related to purchase of IT equipment and the continuation of the Bank's activities related to the modernization of the KI branch network – New Branches Format, which had been ongoing since 2019.

In the first quarter of 2023, there were no significant transactions in the Group regarding the acquisition of intangible assets. There is no significant liability for the purchase of property, plant and equipment and intangible assets.

In the first quarter of 2023, there were no significant transactions in the Group regarding the sale of tangible fixed assets and intangible assets.

35 Distribution of profit for 2022

Until the date of publication of this report, the General Meeting of Alior Bank Spółka Akcyjna has not adopted a resolution on the distribution of profit for 2022.

36 Risk management

Risk management is one of the major processes in Alior Bank SA. Risk management supports Bank's strategy and proper level of business profitability and safety of activities while assuring control of the risk level and its maintenance within the accepted risk appetite and limit system in the changing macroeconomic and legal environment. The supreme objective of the risk management policy is to ensure early detection and adequate management of all kinds of risk inherent to the pursued activity.

The Group isolated the following types of risks resulting from the operations conducted:

- market risk including interest rate risk and the FX risk
- liquidity risk
- credit risk
- operational risk

The detailed risk management policies have been presented in the annual consolidated financial statements of the Alior Bank SA Group for the year ended 31 December 2022 published on 3 March 2023 and available on the Alior Bank SA website.

In connection with the application of the advanced operational risk measurement method (AMA), in accordance with the requirements of CRR Article 454, the Bank, seeking to limit the risk of materializing the effects of rare but potentially severe operational events, has bought a number of insurance policies. Mentioned policies included insurance in the scope of property (including electronic equipment), civil liability, fiscal liability and professional liability.

The terms of individual policies were adapted to the scale and scope of the risk incurred. Those policies are not used as a mechanism limiting the amount of own funds requirements for operational risk or as a mitigating factor for the amount of internal capital for operational risk.

(in PLN '000)

Liquidity risk

Specification of maturity/payment dates of contractual flows of the Alior Bank Group assets and liabilities as at 31 March 2023 and as at 31 December 2022 (MPLN):

31.03.2023	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
ASSETS	**4 768**	**3 658**	**4 020**	**4 704**	**9 475**	**13 510**	**30 136**	**54 404**	**124 675**
Cash & Nostro	4 551	0	0	0	0	0	0	0	4 551
Amounts due from banks	29	31	0	0	0	0	0	1 733	1 793
Loans and advances to customers	188	1 731	2 929	3 798	6 687	11 163	22 024	46 498	95 018
Securities	0	1 877	1 046	886	2 741	2 267	7 803	3 054	19 674
Other assets	0	19	45	20	47	80	309	3 119	3 639
LIABILITIES AND EQUITY	**-52 099**	**-5 936**	**-6 937**	**-6 303**	**-2 794**	**-1 723**	**-2 023**	**-7 146**	**-84 961**
Amounts due to banks	-84	-122	-12	-10	-20	-38	-57	0	-343
Amounts due to customers	-50 073	-5 718	-6 866	-6 121	-2 175	-207	-16	-2	-71 178
Own issues	0	-30	-11	-66	-393	-1 115	-857	0	-2 472
Equity	0	0	0	0	0	0	0	-6 909	-6 909
Other liabilities	-1 942	-66	-48	-106	-206	-363	-1 093	-235	-4 059
Balance sheet gap	**-47 331**	**-2 278**	**-2 917**	**-1 599**	**6 681**	**11 787**	**28 113**	**47 258**	**39 714**
Cumulated balance sheet gap	**-47 331**	**-49 609**	**-52 526**	**-54 125**	**-47 444**	**-35 657**	**-7 544**	**39 714**	
Derivative instruments – inflows	0	2 883	876	1 518	171	192	77	0	5 717
Derivative instruments – outflows	0	-2 899	-862	-1 527	-170	-192	-78	0	-5 728
Derivative instruments – net	**0**	**-16**	**14**	**-9**	**1**	**0**	**-1**	**0**	**-11**
Guarantee and financing lines	-10 742	0	0	0	0	0	0	0	-10 742
Off-balance sheet gap	-10 742	**-16**	**14**	**-9**	**1**	**0**	**-1**	**0**	-10 753
Total gap	**-58 073**	-2 294	-2 903	-1 608	6 682	11 787	28 112	47 258	**28 961**
Total cumulated gap	**-58 073**	**-60 367**	**-63 270**	**-64 878**	**-58 196**	**-46 409**	**-18 297**	**28 961**	

31.12.2022	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
ASSETS	**2 661**	**5 016**	**3 856**	**4 439**	**8 375**	**15 636**	**28 652**	**55 182**	**123 817**
Cash & Nostro	2 422	0	0	0	0	0	0	0	2 422
Amounts due from banks	69	346	0	0	0	0	0	2 120	2 535
Loans and advances to customers	170	1 466	3 239	3 785	6 847	11 402	21 742	47 034	95 685
Securities	0	3 187	558	618	1 482	4 146	6 647	2 910	19 548
Other assets	0	17	59	36	46	88	263	3 118	3 627
LIABILITIES AND EQUITY	**-53 341**	**-4 701**	**-5 796**	**-4 259**	**-4 362**	**-2 417**	**-2 227**	**-6 461**	**-83 564**
Amounts due to banks	-155	-3	-10	-13	-15	-28	-54	0	-278
Amounts due to customers	-51 129	-4 645	-5 730	-4 148	-3 892	-805	-36	-3	-70 388
Own issues	0	0	-17	-41	-160	-1 146	-861	0	-2 225
Equity	0	0	0	0	0	0	0	-6 170	-6 170
Other liabilities	-2 057	-53	-39	-57	-295	-438	-1 276	-288	-4 503
Balance sheet gap	**-50 680**	**315**	**-1 940**	**180**	**4 013**	**13 219**	**26 425**	**48 721**	**40 253**
Cumulated balance sheet gap	**-50 680**	**-50 365**	**-52 305**	**-52 125**	**-48 112**	**-34 893**	**-8 468**	**40 253**	
Derivative instruments – inflows	0	4 716	1 491	307	1 406	140	124	0	8 184
Derivative instruments – outflows	0	-4 738	-1 470	-295	-1 388	-133	-121	0	-8 145
Derivative instruments – net	**0**	**-22**	**21**	**12**	**18**	**7**	**3**	**0**	**39**
Guarantee and financing lines	-10 204	0	0	0	0	0	0	0	-10 204
Off-balance sheet gap	-10 204	**-22**	**21**	**12**	**18**	**7**	**3**	**0**	-10 165

(in PLN '000)

31.12.2022	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
Total gap	-60 884	293	-1 919	192	4 031	13 226	26 428	48 721	30 088
Total cumulated gap	-60 884	-60 591	-62 510	-62 318	-58 287	-45 061	-18 633	30 088	

37 Events significant to the business operations of the Group

Adoption of the Strategy of Alior bank SA Capital Group for 2023-2024

On February 2023, the Bank's Management Board provided assistance and the Bank's Supervisory Board approved the Strategy of the Alior Bank SA Capital Group for 2023-2024 **"Your Bank od everyday life, your Bank for the future".**

38 Significant events after the end of the reporting period

There were no significant events after the end of the reporting period, except for those described in these financial statements.

39 Financial forecast

The Alior Bank SA Group did not publish any forecasts of its results.

40 Factors which could have an impact on the results in the perspective of the following quarter of the year

One of the most important factors of uncertainty in the coming periods remains the ongoing armed conflict in Ukraine in the context of geopolitical tensions and volatility in financial markets. In the economic dimension, the greatest consequences of the armed conflict concern trade disruptions related to the armed conflict itself and the resulting sanctions. Another aspect is related to the stability of the energy system, an important element of which in the case of the EU and Poland are the supplies of raw materials such as oil and gas from Russia. There is also the issue of security in the region. As a consequence, the risks associated with the armed conflict in Ukraine for the global and domestic economy materialized to the greatest extent through a significant acceleration of inflation against more expensive raw materials, food and disruptions in supply chains, and may still be significant in 2023, in particular due to the complete stoppage of gas supplies from Russia to the EU.

High inflation in the world determines the cycle of monetary tightening in many countries, including the US and the euro area, which means that the risks of global recession have increased significantly. Double-digit consumer inflation in Poland at the beginning of 2023 favors the stabilization of the NBP reference rate at the level of 6.75%. In 2023, the domestic economy will continue to face increased inflation and high debt costs, with still weak consumer and business sentiment in the country and worldwide, which is a significant element of risk for the prospects of the domestic economic situation. In addition, the suspension of gas supplies from Russia still poses some risks of unbalanced demand for this raw material both in Poland and our main trading partner - Germany. In such a scenario, temporary downtimes in the industrial sector are possible, which may significantly reduce the potential of the domestic economy and the entire euro area, although the efforts made in 2022 to diversify supplies of energy resources somewhat mitigate this risk.

For the banking sector, in subsequent periods, increased volatility and an increase in the risk premium due to the ongoing armed conflict in Ukraine and the possible extension of the period of increased inflation in Poland may continue to negatively affect the valuation of assets held in the balance sheet. What's more, the deterioration of the economic outlook, persistently elevated inflation and the likely maintenance of interest rates at the current level for most of the year may continue to cool down the demand for loans, which would limit acquisitions in particular on the mortgage market. The declining economic situation will also be conducive to the deterioration of the condition of borrowers, which may contribute to an increase in credit risk and a tightening of lending policies in banks. Legal risks related to the portfolio of FX mortgage loans, potential regulatory changes, in particular regarding the extension of the "credit vacation" to 2024 and an additional contribution to the Borrower Support Fund in 2023, as well as the reform of the benchmark, i.e. replacing the WIBOR via WIRON also remain a challenge in the sector.

Interim condensed separate financial statements of Alior Bank Spółka Akcyjna for the 3-month period ended 31 March 2023

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(in PLN '000)

Interim condensed separate income statement

	01.01.2023-31.03.2023	01.01.2022-31.03.2022
Interest income calculated using the effective interest method	1 737 738	1 012 298
Income of a similar nature	41 737	22 660
Interest expense	-705 055	-182 589
Net interest income	**1 074 420**	**852 369**
Fee and commission income	384 199	335 846
Fee and commission expense	-209 956	-179 378
Net fee and commission income	**174 243**	**156 468**
Dividend income	47	139
The result on financial assets measured at fair value through profit or loss and FX result	12 903	37 596
The result on derecognition of financial instruments not measured at fair value through profit or loss	2 221	290
measured at fair value through other comprehensive income	2 068	218
measured at amortized cost	153	72
Other operating income	19 707	23 974
Other operating expenses	-25 004	-28 278
Net other operating income and expenses	**-5 297**	**-4 304**
General administrative expenses	-478 904	-469 662
Net expected credit losses	-231 506	-183 779
The result on impairment of non-financial assets	-248	-30 901
Cost of legal risk of FX mortgage loans	-506	-23 197
Banking tax	-65 987	-64 115
Gross profit	**481 386**	**270 904**
Income tax	-135 044	-100 995
Net profit	**346 342**	**169 909**
Weighted average number of ordinary shares	130 553 991	130 553 991
Basic/diluted net profit per ordinary share (in PLN)	2.65	1.30

**Details in note 3*

Interim condensed separate statement of comprehensive income

	01.01.2023-31.03.2023	01.01.2022-31.03.2022
Net profit	**346 342**	**169 909**
Items that may be reclassified to the income statement after certain conditions are satisfied	**373 254**	**-508 697**
Foreign currency translation differences	**-244**	**65**
Results of the measurement of financial assets (net)	**92 671**	**-79 053**
Profit/loss on valuation of financial assets measured at fair value through other comprehensive income	114 393	-99 610
Deferred tax	-21 722	20 557
Results on the measurement of hedging instruments (net)	**280 827**	**-429 709**
Gains/losses on hedging instruments	346 700	-530 505
Deferred tax	-65 873	100 796
Total comprehensive income, net	**719 596**	**-338 788**

The notes presented on pages 60-62 constitute an integral part of these interim condensed separate financial statements.

(in PLN '000)

Interim condensed separate statement of financial position

ASSETS	31.03.2023	31.12.2022
Cash and cash equivalents	4 553 870	2 565 406
Amounts due from banks	1 766 612	2 373 663
Investment financial assets	16 798 605	16 998 356
measured at fair value through other comprehensive income	11 925 990	9 893 476
measured at fair value through profit or loss	353 499	423 038
measured at amortized cost	4 519 116	6 681 842
Derivative hedging instruments	248 111	178 139
Loans and advances to customers	57 689 454	57 509 965
Assets pledged as collateral	47 519	40 992
Property, plant and equipment	711 633	732 404
Intangible assets	363 436	362 198
Inwestments in associates	221 238	221 238
Non-current assets held for sale	0	1 611
Income tax assets	1 087 439	1 222 958
deferred income tax assets	1 087 439	1 222 958
Other assets	595 178	478 334
TOTAL ASSETS	**84 083 095**	**82 685 264**

LIABILITIES AND EQUITY	31.03.2023	31.12.2022
Amounts due to banks	203 985	182 934
Amounts due to customers	71 845 148	70 763 793
Financial liabilities	290 226	255 994
Derivative hedging instruments	1 384 034	1 678 933
Provisions	205 758	267 774
Other liabilities	2 035 110	1 980 207
Income tax liabilities	61 863	230 355
current income tax liabilities	61 863	230 355
Subordinated liabilities	1 175 976	1 163 875
Total liabilities	**77 202 100**	**76 523 865**
Share capital	1 305 540	1 305 540
Supplementary capital	5 401 470	5 401 470
Revaluation reserve	-966 078	-1 339 576
Other reserves	174 447	174 447
Foreign currency translation differences	39	283
Accumulated losses	619 235	-2 617
Profit for the period	346 342	621 852
Equity	**6 880 995**	**6 161 399**
TOTAL LIABILITIES AND EQUITY	**84 083 095**	**82 685 264**

The notes presented on pages 60-62 constitute an integral part of these interim condensed separate financial statements.

(in PLN '000)

Interim condensed separate statement of changes in equity

01.01.2023 - 31.03.2023	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
At 1 January 2023	**1 305 540**	**5 401 470**	**174 447**	**-1 339 576**	**283**	**619 235**	**6 161 399**
Comprehensive income	**0**	**0**	**0**	**373 498**	**-244**	**346 342**	**719 596**
net profit	0	0	0	0	0	346 342	346 342
other comprehensive income:	0	0	0	373 498	-244	0	373 254
incl. financial assets measured at fair value through other comprehensive income	0	0	0	92 671	0	0	92 671
incl. hedging instruments	0	0	0	280 827	0	0	280 827
incl. currency translation differences	0	0	0	0	-244	0	-244
At 31 March 2023	**1 305 540**	**5 401 470**	**174 447**	**-966 078**	**39**	**965 577**	**6 880 995**

01.01.2022 - 31.12.2022	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
At 1 January 2022	**1 305 540**	**5 399 229**	**174 447**	**-906 659**	**-43**	**-376**	**5 972 138**
Transfer of last year's profit	0	2 241	0	0	0	-2 241	0
Comprehensive income	**0**	**0**	**0**	**-432 917**	**326**	**621 852**	**189 261**
net profit	0	0	0	0	0	621 852	621 852
other comprehensive income – valuations	0	0	0	-432 917	326	0	-432 591
incl. financial assets measured at fair value through other comprehensive income	0	0	0	-141 515	0	0	-141 515
incl. hedging instruments	0	0	0	-291 402	0	0	-291 402
incl. currency translation differences	0	0	0	0	326	0	326
At 31 December 2022	**1 305 540**	**5 401 470**	**174 447**	**-1 339 576**	**283**	**619 235**	**6 161 399**

01.01.2022 - 31.03.2022	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
At 1 January 2022	**1 305 540**	**5 399 229**	**174 447**	**-906 659**	**-43**	**-376**	**5 972 138**
Comprehensive income	**0**	**0**	**0**	**-508 762**	**65**	**169 909**	**-338 788**
net profit	0	0	0	0	0	169 909	169 909
other comprehensive income:	0	0	0	-508 762	65	0	-508 697
incl. financial assets measured at fair value through other comprehensive income	0	0	0	-79 053	0	0	-79 053
incl. hedging instruments	0	0	0	-429 709	0	0	-429 709
incl. currency translation differences	0	0	0	0	65	0	65
At 31 March 2022	**1 305 540**	**5 399 229**	**174 447**	**-1 415 421**	**22**	**169 533**	**5 633 350**

The notes presented on pages 60-62 constitute an integral part of these interim condensed separate financial statements.

(in PLN '000)

Interim condensed separate statement of cash flows

	01.01.2023- 31.03.2023	01.01.2022- 31.03.2022*
Operating activities		
Profit before tax for the period	**481 386**	**270 904**
Adjustments:	**61 039**	**85 928**
Unrealized foreign exchange gains/losses	-244	65
Amortization/depreciation of property, plant and equipment and intangible assets	61 066	55 073
Change in property, plant and equipment and intangible assets impairment write-down	248	30 901
Dividends received	-47	-139
Short-term lease contracts	16	28
The gross profit after adjustments but before increase/decrease in operating assets/liabilities	**542 425**	**356 832**
Change in loans and receivables	427 562	-497 066
Change in financial assets measured at fair value through other comprehensive income	-1 922 165	1 928 181
Change in financial assets measured at fair value through profit or loss	69 539	-286 954
Change in assets pledged as collateral	-47 519	-1 658 630
Change in non-current assets held for sale	1 611	0
Change in other assets	-116 844	63 252
Change in deposits	882 383	-2 717 577
Change in own issue	246 764	35 766
Change in financial liabilities	34 232	186 055
Change in hedging derivative	-18 171	24 301
Change in other liabilities	-121 270	3 976 822
Change in provisions	-62 016	-2 507
Cash from operating activities before income tax	**-83 469**	**1 408 475**
Income tax paid	-33 814	-53 105
Net cash flow from operating activities	**-117 283**	**1 355 370**
Investing activities		
Outflows:	**-50 996**	**-44 474**
Purchase of property, plant and equipment	-29 073	-37 767
Purchase of intangible assets	-20 922	-6 707
Purchase of assets measured at amortized cost	-1 001	0
Inflows:	**2 200 148**	**3**
Disposal of property, plant and equipment	2 680	3
Disposal of assets measured at amortized cost	2 197 468	0
Net cash flow from investing activities	**2 149 152**	**-44 471**
Financing activities		
Outflows:	**-43 405**	**-76 863**
Prniciple payments - subordinated lliabilities	0	-45 459
Interest payments – subordinated lliabilities	-16 687	-6 847
Prniciple payments - lease liabilities	-24 640	-23 699
Interest payments - lease liabilities	-2 079	-858
Inflows:	**0**	**0**
Net cash flow from financing activities	**-43 405**	**-76 863**
Total net cash flow	**1 988 464**	**1 234 036**
incl. exchange gains/(losses)	**-19 303**	**26 209**
Balance sheet change in cash and cash equivalents	**1 988 464**	**1 234 036**
Cash and cash equivalents, opening balance	2 565 406	**3 723 577**
Cash and cash equivalents, closing balance	4 553 870	4 957 613
Additional disclosures on operating cash flows		
Interests received	1 467 845	886 028
Interests paid	-553 579	-107 388

**Details in note 3*

The notes presented on pages 60-62 constitute an integral part of these interim condensed separate financial statements.

1 Basis for preparation

Statement of compliance

These interim condensed separate financial statements of Alior Bank Spółka Akcyjna for the 3-moth period ended 31 March 2023 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and in accordance with the requirements set out in the Regulation of the Minister of Finance of 29 of March 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state.

The interim condensed separate income statement, interim condensed separate statement of comprehensive income, interim condensed separate statement of changes in equity and interim condensed separate statement of cash flows for the financial period from 1 January 2023 to 31 March 2023, and interim condensed separate statement of financial position as at 31 March 2023 including the comparatives, have been prepared in accordance with the same accounting policies as those applied in the preparation of the last annual financial statements, except for the changes in the standards that entered into force on 1 January 2023.

Scope and reporting currency

The interim condensed separate financial statements of Alior Bank SA comprise the data concerning the Bank. The condensed interim separate financial statements have been prepared in Polish zlotys. Unless otherwise stated, amounts are presented in thousands of zlotys.

Going concern

The interim condensed separate financial statements of Alior Bank Spółka Akcyjna have been prepared on the assumption that the Bank will continue in operation as a going concern for a period of at least 12 months after the balance sheet date i.e. after 31 March 2023.

2 Accounting principles

The accounting principles are presented in detail in the annual financial statements of Alior Bank SA ended 31 December 2022, published on 3 March 2023 and available on the Alior Bank SA website. Changes in accounting principles effective from 1 January 2023 were presented in the interim condensed consolidated financial statements in Note 2.2.

3 Changes to presentation and explanation of differences in relation to previously published financial statements

Compared to the consolidated financial statements prepared as at 31 March 2022, the Bank changed the way of presenting certain items of the cash flow statement:

Change 1

Changes in derivatives hedging both assets and liabilities are presented jointly.

Change 2

Changes in fair value measurements recognized in other comprehensive income were excluded from changes in individual assets and liabilities.

Change 3

The change in assets measured at amortized cost was transferred to investing activities (in the first quarter of 2022, there were no purchase and disposal of financial assets measured at amortized cost).

(in PLN '000)

Position	Published 31.03.2022	chnage 1	change 2	change 3	Total changes	Restated 31.03.2022
Change in financial assets measured at fair value through other comprehensive income	2 069 784	0	-141 603	0	-141 603	1 928 181
Change in financial assets measured at amortised cost	1 991 826	0	0	-1 991 826	-1 991 826	0
Change in derivative hedging assets	-37 361	37 361	0	0	37 361	0
Change in hedging liabilities derivative	592 167	-592 167	0	0	-592 167	0
Change in hedging derivatives	0	554 806	-530 505	0	24 301	24 301
Change in assets pledged as collateral	-3 621 975			1 963 345	1 963 345	-1 658 630
Change in other liabilities	3 276 233	0	672 108	28 481	700 589	3 976 822
Total net cash flows from operating activities - decrease	**4 270 674**	**0**	**0**	**0**	**0**	**4 270 674**

4 Off - balance-sheet items

Off-balance sheet items are described in Note 28 to the interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group.

5 Transactions with related entities

Related-party transactions are described in Note 30 to the interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group, with the exception of transactions with subsidiaries presented below.

Bank's subsidiaries as at 31 March 2023 and the date of this report was as follows:

Company's name - subsidaries	26.04.2023	31.03.2023	31.12.2022
Alior Services sp. z o.o.	100%	100%	100%
Alior Leasing sp. z o.o.	100%	100%	100%
- AL Finance sp. z o.o.	*100%*	*100%*	*100%*
Meritum Services ICB SA	100%	100%	100%
Alior TFI SA	100%	100%	100%
Absource sp. z o.o.	100%	100%	100%
Corsham sp. z o.o.	100%	100%	100%
RBL_VC sp. z o.o.	100%	100%	100%
RBL_VC sp z o.o. ASI spółka komandytowo-akcyjna	100%	100%	100%

Subsidiaries	31.03.2023	31.12.2022
Loans and advances to customers	4 252 712	4 020 455
Other assets	325	411
Total assets	**4 253 037**	**4 020 866**
Amounts due to customers	96 304	87 945
Provisions	2 852	968
Other liabilities	1 465	1 267
Total liabilities	**100 621**	**90 180**

(in PLN '000)

Subsidiaries	31.03.2023	31.12.2022
Off-balance liabilities granted to customers	**581 747**	**576 833**
relating to financing	461 344	456 430
guarantees	120 403	120 403

Subsidiaries	01.01.2023 -31.03.2023	01.01.2022 -31.03.2022
Interest income calculated using the effective interest method	79 567	33 298
Interest expences	-568	-20
Fee and commission income	1 517	1 183
Fee and commission expense	-108	-111
The result on financial assets measured at fair value through profit or loss and FX result	2	0
Other operating income	1 001	600
Other operating expenses	0	-1
General administrative expense	-2 547	-1 723
Net expected credit losses	-3 483	728
Total	**75 381**	**33 954**

6 Significant events after the end of the reporting period

Significant events after the end of the reporting period are described in Note 38 to the interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group.